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# **East Europe Report**

**ECONOMIC AND INDUSTRIAL AFFAIRS**

**No. 2150**



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DEVELOPMENT OF CEMA TIES WITH JAPAN OUTLINED

East Berlin IPW-BERICHTE in German Vol 10 No 5, May 81 pp 42-46

[Current Review] feature article by Paul Freiberg: "Japan's Foreign Trade Relations With the CEMA Countries"

[Text] Economic relations with the socialist countries, especially the USSR, are of great importance for the consolidation of Japan's politico-economic status. Particularly in view of Japan's steadily more strained competitive situation vis-a-vis the United States and Western Europe as well as the profound changes within the capitalist world economy and the economic problems arising therefrom, influential circles in the Japanese economy are less and less inclined to bow to U.S. boycott policies. Realistic business groups have been relatively successful in urging the further expansion of cooperation with the USSR, the GDR and other socialist countries. New types of collaboration such as compensation projects and the implementation of major projects as well as increasingly also cooperative ventures, joint enterprises on third markets and scientific-technological cooperation assume growing importance.

Japan has become one of the leading imperialist economic powers, one of the three centers of imperialism in the world. It is about not only to overtake such major competitors as the United States and some West European countries in certain business sectors, it is also beginning to be more involved in world politics. Here political and economic relations with the socialist countries, especially the USSR, are assuming growing importance.

The Socialist Countries Growing Importance for Japan

Within the scope of Japan's foreign political and foreign trade relations and spheres of interest the socialist countries, especially the CEMA member countries, occupy a fairly significant place which is objectively gaining in importance. That is due to several factors which refer to specific Japanese interests and include, among others:

-- The generally growing world political and world trade role of socialism, which is affecting Asia also;

-- Japan's close geographic vicinity to the USSR and, in particular, the fact that the level of Japanese-Soviet relations is important for peace and stability, especially in the context of Asia;

-- Due to Japan's dependence on raw materials and fuels Japanese industry is interested in the extensive Siberian raw material resources which are close at hand;

-- The fact that Japan, a highly developed industrial country, is an interesting trading partner for the socialist countries, and that Japanese business circles--from the aspect of their competition with the United States and Western Europe also--expect potentially valuable marketing opportunities to arise. At the same time they fear that, without a long-range increased commitment in East-West economic relations, they might lose ground to their West European and American competitors;

-- The possibilities for more intensive future cooperation with regard to transportation, though a great many prerequisites would have to be provided first.

Despite Japan's incorporation in the defense alliance with the United States and its class-like anchoring within the imperialist system, appreciation is growing that the development of all-round economic relations, especially the purposeful expansion of such relations with the Soviet Union and other socialist countries, is of definite importance for the consolidation of Japan's political and economic status in the world and the increase in its international authority.

As regards economic relations with the CEMA member countries, Japan holds a 7-8 percent share in the total foreign trade of all OECD countries with the CEMA countries. At about 9 percent Japan's share of exports is even higher and in fact slightly exceeds its share in the world exports of the OECD countries. Though the CEMA countries share in Japan's total foreign trade has been relatively small up to now, it has risen from just \$0.2 billion in 1960 to \$5.5 billion in 1979--for the USSR as Japan's main trading partner among the socialist countries from \$0.15 billion in 1960 to \$4.3 billion in 1979. Various new types of economic collaboration are also emerging, primarily with the USSR but with other CEMA countries too, for instance with the GDR. They include the construction of major projects, compensation projects, the development of raw material resources, and so on.

In the postwar years up to the recent past the Soviet Union has tried for good neighborly relations with Japan as well as for the development of mutually beneficial cooperation. The same could not always be said for Japan. At the Twentysixth CPSU Congress L.I. Brezhnev noted: "Negative elements are gaining strength in Japan's foreign political line--flirting with the dangerous plans of Washington and Peking, tending toward militarization. However, we believe that this is not going to be Tokyo's last word, and we hope that foresight and understanding of Japan's own interests will gain the upper hand. The USSR continues to propose permanent and really good neighborly relations with Japan."<sup>1</sup>

Indeed, many factors advocate good relations between the two countries. Since the signature of the joint declaration on the normalization between the USSR and Japan and the restoration of diplomatic relations on 19 October 1956<sup>2</sup> many treaties and agreements have been concluded, which provided a basis for the successful extension of these relations, for instance agreements with regard to trade, shipping, civil



aviation, fisheries, various consular agreements, and so on. Furthermore the two countries foreign ministers have met regularly, and in 1973 a Japanese head of government first visited the USSR.<sup>3</sup>

Japan's Foreign Trade With CEMA Member Countries in Million U.S.Dollars

	CEMA Total	USSR only	GDR only
1960	157.5	147.0	1.8
1965	488.5	408.6	2.9
1970	1,039.5	822.1	53.6
1975	3,574.6	2,795.6	77.7
1978	4,867.2	3,943.2	78.0
1979	5,476.8	4,354.8	298.8
1979, first 6 months	2,597.8	2,118.9	79.2
1980, first 6 months	2,673.6	2,152.5	83.1

Source: Statistics of Foreign Trade (issued by OECD), Paris, Series A, consecutive

United States and China Incite Anti-Soviet Campaigns

By the end of the 1960's, when international detente began to prevail, Japan's relations with the socialist countries, especially the USSR, had progressed very favorably. Most agreements and treaties were concluded at that time. However, early in the second half of the 1970's the further expansion of Japan's relations with the USSR began to slow down. The pressure exerted on Japan by the Carter Administration in particular as well as the inordinate dependence on the United States of Japanese foreign policy both contributed to this development. That trend was particularly noticeable following Soviet assistance to the Afghan people when, in early 1980, the Japanese Government yielded to the Carter Administration's request for sanctions against the Soviet Union. As a result negotiations about projects planned jointly by the two countries were interrupted and loans blocked for the joint development of raw material and fuel deposits in Siberia, though Japan was bound to be vitally interested in these deposits in view of Japanese dependence on imported raw materials.<sup>4</sup>

Still, the changed Japanese attitude to the Soviet Union was by no means due only to events in Afghanistan. In addition to the strong ties between Japanese foreign policy and the United States, internal events--the growing influence of rightist and revanchist forces--were also responsible for the fact that Japan largely copied the Carter Administration's hostility to detente. The anti-Soviet campaign launched by rightist and conservative circles, in particular the lie of the alleged threat from the north and the illegal territorial demands made on the USSR, are certainly involved and must not be underestimated.

Relations with China also influenced Japanese foreign policy. A rapprochement set in between Japan and China, designed not least to reduce Japan's one-sided economic

dependence on the United States and open up more markets. The result was the treaty on peace and friendship between the two countries, signed on 12 August 1978. Prominent Japanese businessmen expected greater marketing opportunities as well as a more extensive potential for securing raw materials in future years. Despite the initial impetus to Japanese-Chinese relations, especially in the field of economics, these expectations were doomed to disappointment. In early 1981 China canceled large orders placed in Japan--mostly concerning major projects totaling more than \$1 billion.<sup>5</sup>

#### Realistic Voices for Strengthening East-West Economic Relations

In view mainly of the tense competitive situation prevailing between Japan on the one hand and the United States and Western Europe on the other, the Japanese economy is unable to forego the markets of the socialist countries and, in particular, cooperation with the USSR in the raw materials sector. After all, Siberia's resources of oil, natural gas, coal and lumber not only offer bright prospects for the future and are fairly near in geographic terms, they also provide an opportunity for the greater diversification of raw materials purchases. Already Japan is meeting a sizeable part of its needs for some raw materials with imports from the USSR. Examples are lumber (more than 19 percent), potassium salts (16 percent), aluminum (15 percent), nickel (22 percent) and cotton (14 percent).

Under discussion are other major projects on a compensation basis. Many businessmen, therefore, agree with Shigeo Nagano, president of the Japanese Chamber of Commerce and Industry, who said that "business people are not interested in the interruption of Japanese-Soviet economic cooperation" and noted further that "the joint projects for the development of Siberian natural resources do not, from the Japanese standpoint, represent aid to the Soviet Union but commercial agreements necessary for Japan."<sup>6</sup>

As mentioned earlier, the volume of Japanese trade with the CEMA countries grew fastest at the end of the 1960's and in the first half of the 1970's. The turnover between the two partners rose from \$1,039.5 million in 1970 to \$3,574.6 million in 1975, that is about 3½-fold, and to \$5,476.8 million in 1979.

An average of 80 percent of Japanese trade with the CEMA countries involve the USSR. Turnover in Japanese-Soviet trade rose from \$147 million in 1960 to \$822.1 million in 1970 and \$4,354.8 million in 1979. The People's Republic of Poland is next, but trade with the GDR also showed satisfactory progress, from \$1.8 million in 1960 to \$53.6 million in 1970 and \$298.8 million in 1979 (see table).

In 1979 SITC goods groups 6 and 7 (processed goods as well as machines and vehicles) accounted for more than 80 percent of Japanese exports to the CEMA countries, with 48 percent going to goods group 6 and some 35 percent to goods group 7. Goods groups 2 and 3 (raw materials and fuels) accounted for more than 60 percent of 1979 Japanese imports; the major part coming from the USSR--primarily timber and lumber, solid and mineral fuels and cotton. It is to be expected that the percentage of finished goods in Japanese imports will rise, especially because the CEMA countries are major exporters of machines and equipment.



## Expansion of Economic Cooperation With the GDR

Japan's economic cooperation with the GDR began to show a particularly favorable development from the early 1970's on. The establishment of diplomatic relations and the conclusion of some important trade treaties in the mid-1970's--especially the trade agreement concluded in 1975<sup>7</sup> and the 1977 government agreement on scientific-technological cooperation between the two countries--laid the foundations for the purposeful expansion of collaboration. Reciprocal foreign trade turnovers more than tripled in the years 1977-1980.

The meetings between Erich Honecker, general secretary of the SED Central Committee, Guenter Mittag, Politburo member and secretary of the SED Central Committee, and senior Japanese statesmen and industrialists provided a significant contribution to the favorable progress of these relations. To be cited, among others, is Erich Honecker's conversation in May 1977 with Yoshihiro Inayama, chairman of the supervisory board of Nippon Steel Corporation and chairman of the Japan-GDR Economic Committee. On that occasion proposals for the further development of economic relations between Japan and the GDR were discussed.<sup>8</sup> Another example is Erich Honecker's talk with a group of prominent Japanese business personalities in September 1978, on the occasion of the official opening of the "International Trade Center" in Berlin. At that time Erich Honecker expressed the hope that GDR-Japanese relations generally would continue to improve on a long-term and stable base and for the benefit of both peoples.<sup>9</sup>

The deepening of relations in general between the two peoples received a further impetus from the visit to Japan of a GDR Government delegation, led by Guenter Mittag, in November 1977. These followed a November/December 1975 visit by G. Mittag, when he discussed the issue of more cooperation.

The successful cooperation emerging therefrom is reflected in various projects, some already completed, others still in the process of implementation. They include the "International Trade Center" constructed in Berlin, the delivery by the Japanese firms Toyo Engineering and Mitsui of a chemical plant (aromatics complex) for the Schwedt oil processing combine, the Merkur Hotel, built by Japanese specialists in Leipzig, equipment for the Boesdorf steel and chill casting plant which is to go on-stream in 1983, a plant constructed by Toyo Engineering for the Piesteritz ammonia works and the delivery of Japanese machine tools to process fittings.<sup>10</sup> The mutual interest in the expansion of relations was demonstrated once more a short while ago by the representative delegation of Japanese businessmen to the Leipzig 1981 Spring Fair. The members of the delegation were received by Erich Honecker for an exchange of views.

Within the scope of the agreements concluded the GDR delivered a great deal of technical equipment for Japanese industry. Japan's heavy machine and plant construction industry, for example, obtained its most efficient tooth-flank grinding machines from the GDR.<sup>11</sup> The Carl Zeiss Jena Combine VEB introduced more than 20 new and further developed items on the Japanese market. The Japanese are interested mainly in machine tool construction and the precision engineering-optical industries.

The agreements concluded between GDR enterprises and Japanese firms on reciprocal goods exchanges in 1981-1985 also contribute to the progress and consolidation of this cooperation.<sup>12</sup>

We have also seen the first tentative beginnings of joint ventures on third markets. Some GDR foreign trade enterprises concluded syndicate contracts with several Japanese trading firms and corporations, providing contractual agreements.<sup>13</sup> The world's largest steel corporation, for example, Nippon Steel Corporation, concluded a working agreement with SKET Magdeburg with respect to cooperation in the field of science and technology as well as in third markets.<sup>14</sup>

Successes were also recorded in the scientific-technological cooperation of the two countries. Since 1979 the exchange of licenses and know-how, for example, has risen considerably. Japanese producers acquired, among others, the manufacturing permit for a high-speed cutting press developed by the Erfurt Processing Technology VEB. A particularly long-range joint effort is intended to be made with the Japanese Mitsui and Mitsubishi corporations regarding the trade in licenses and scientific-technological cooperation generally, and the appropriate contracts have been signed. Leading Japanese firms also showed lively interest in exchanging specialists with the Jena Carl Zeiss VEB; they are cooperating with the combine on the modification of dev. -s for specific Japanese conditions. Further included in this sector must be the regularly held "technical days."<sup>15</sup>

A great deal of the credit for the successful progress of cooperation between the two countries is due the Japan-GDR and GDR-Japan economic committees. The work of these two bodies is exceptionally significant for the further advance and deepening of extensive relations between the two countries. At the 11th joint meeting of the economic committees in Leipzig (12-16 March 1981) it was projected that GDR-Japanese trade turnover would have to be at least doubled in the next 3 years, that cooperation in third countries needs to be emphasized even more and the exchange of licenses and know-how speeded up. Japan's growing involvement in the various Leipzig fairs also demonstrates the satisfactory nature of relations between the two countries.

#### Widespread Resistance by Japanese Business to Carter's Boycott

Evidence of the fact that economic relations with the CEMA countries are quite profitable for the Japanese economy was provided late last year when influential sections of Japanese industry insistently urged the abandonment of the boycott measures against the USSR demanded by the Carter Administration in early 1980, recommending instead the return to normal trade and economic relations with the Soviet Union.

Though the Carter Administration exerted particular pressure on Japan, realistic business groups straightaway rejected any restrictions on economic relations with the USSR and other socialist countries. The Tokyo newspaper TOKYO SHIMBUN, for example, wrote on 8 January 1980 that the American measures involved an extremely dangerous aspect for the United States itself, because they were bound to adversely affect the United States more than the Soviet Union which could handle them without much trouble. The same day S. Nagano, president of Japan's Chamber of Commerce and Industry, stated at a press conference in Tokyo: "In the present stage we are not willing to revise or break off economic cooperation with the Soviet Union. Japan must be mindful of securing its livelihood and to track down the resources needed." The same note was sounded even more explicitly by the Tokyo newspaper YOMIURI which

wrote on the same day that "Japanese-Soviet economic relations are very important for Japan, because Japan itself is interested in cooperation with the Soviet Union in the field of fisheries, the delivery of lumber and the development of natural resources, especially Yakutian natural gas and Sakhalin oil."

Only a few days later, on 14 January 1980, representatives of Japan's leading steel producers--Nippon Steel, Nippon Kokan, Sumitomo Metal Industries and Kawasaki Steel--traveled to Moscow to negotiate the export of large-diameter pipes for natural gas lines. As a result of these discussions a contract was concluded in early July 1980 on the delivery of 750,000 large-diameter pipes to the USSR.<sup>16</sup> In mid-January 1980 Toshiwo Doko and Y. Inayama, president and vice president of the Federation of Economic Organizations (Keidanren), Japan's most important employers federation, also rejected sanctions against the Soviet Union and said it "was not sound policy for Japan" to take part in them.<sup>17</sup>

Even the Japanese Government was compelled to indicate the specific interests of the country. Foreign Minister Saburo Okita, for example, noted on 23 January 1980 that Japan, a country poor in natural resources, is "affected particularly badly by international conflicts and tensions" and had no intention of discontinuing the dialogue with the USSR--a concept underlined also by his successor Masayoshi Ito in September last, when he emphasized the "necessity of a dialogue with the Soviet Union as an important neighbor."<sup>18</sup> This attitude is not surprising when we remember that such corporations as Mitsubishi Heavy Industries or Toshiba Electric export more than half their output of machine tools to the Soviet Union.<sup>19</sup>

Japan offers a clear example of the fact that doomed to failure are all U.S. attempts to exploit trade for political blackmail against the Soviet Union by reviving trade discrimination in the dimensions of the cold war era. Already in May 1980 the Japanese Government--yielding to the pressure of influential business groups--decided to restore loans by the Export-Import Bank for major transactions with the USSR; another reduction in economic sanctions occurred in September 1980.<sup>20</sup> In early November 1980 the trade monopoly Marubeni (ranking third in Japan) signed a 5-year agreement on technology transfers with the USSR State Committee for Science and Technology.<sup>21</sup>

Particularly in view of the steadily rising competition of the United States and Western Europe the Japanese monopolies are not inclined for any length of time to give up the profits derived from stable economic cooperation with the USSR and other socialist countries, or to let West European firms enjoy profitable orders from the USSR--especially not at a time when the share of these countries trade with the Soviet Union is steadily increasing. As early as March 1980 S. Nagano warned of the substantial losses threatening Japan in case of any interruption of business transactions with the USSR. Shoichi Yokokawa, president of the Japanese-Soviet Trade Association, assessed at hundreds of millions of dollars the losses suffered by Japanese companies as the result of sanctions. In fact the nine largest Japanese commercial institutes, including Mitsui Bussan and Mitsubishi Shoji, estimated their losses at more than \$1 billion.<sup>22</sup>

Japan's Western European competitors were able to enjoy advanced rates of growth in their trade with the USSR (while Japan achieved a growth rate of only 6.7 percent



from January to September 1980, France was able to record a 51 percent rise, Italy 44 percent, the Netherlands 37 percent and the FRG 32 percent).<sup>23</sup> This factor, in conjunction with Japan's expectations regarding exports of technical plant not only to the Far East of the Soviet Union and not least the growing interest in raw materials imports and the consequent cooperation in Siberia, moved Japanese business groups to exert greater pressure on the government so that it might more resolutely resist American interference in its policy toward the USSR.

### New Types of Cooperation

In the development of Japanese business relations with the CEMA countries new types of collaboration such as compensation projects and the implementation of large-scale projects are particularly important. Also increasingly involved are cooperative ventures, joint operations on third markets and scientific-technological cooperation.

Soviet-Japanese cooperation is a particularly good example of the benefits of long-term compensation projects. The two countries used this type of economic cooperation as far back as the late 1960's. It has been purposefully expanded every since, mainly by a series of general agreements. On that basis Japan made available to the USSR long-term loans and modern equipment, enabling the Soviet Union to develop new economic regions--primarily in the Far East--and natural resources. Japan in turn obtained large orders for technical equipment as well as long-term guaranteed deliveries of raw materials and industrial products.

The first general agreement, signed in 1968, applied to the period 1969-1973 and dealt with Japanese delivery obligations regarding equipment for the USSR's lumber processing industry. At the same time Japan obtained 7.6 million cubic meters of lumber from the Soviet Union. A second general agreement for the period 1974-1979 provided for exports to Japan (on the same basis) of 17.5 billion cubic meters of lumber and 900,000 cubic meters of timber. Other general agreements concerned the development of South Yakutian coal deposits and, consequently the export of coking coal to Japan for a period of 20 years, Japanese involvement in the expansion of the Soviet port of Vostochny which will handle, among others, Japanese containers in transit, and the joint exploration of the Sakhalin shelf for oil and natural gas.

Japan's interest in such large-scale projects is demonstrated also in a new agreement providing for the delivery of 100 million tons of South Yakutian coal in a 20-year period, in return for Japanese bank loans for machinery and equipment.<sup>24</sup>

Cooperation relations with the CEMA countries are also on the rise. To cite some examples: The technical-commercial collaboration between the Japanese firm Yamazaki and a Soviet machine tool factory in Krasnodar, designed to develop new types of computer controlled lathes and vertical turret boring machine tools; the cooperation between the Bulgarian enterprise Balkancarimpex and the Japanese firm Kameichi Electric on electric hoists for cranes, the Japanese firm Toshiba and the Hungarian Vilati and Tungsram enterprises on electronic devices.<sup>25</sup>

There are also many examples of joint ventures on third markets in the nonsocialist economic area, such as the conclusion of agreements between Polimex-Cekop (People's Republic of Poland) and two Japanese firms concerning the construction of a fertilizer plant in Algeria and between the same Polish firm and Mitsubishi Heavy Industries on the construction of a cement plant in Libya.<sup>26</sup>

Also advancing is Japan's scientific-technological cooperation with the CEMA countries, especially the Soviet Union. A program confirmed in 1979, for instance, provides for joint USSR-Japanese efforts in nuclear energy and agriculture. New agreements on scientific-technological cooperation were concluded with the firms Nichimen (chemicals, metallurgy and device construction) and Kobe Steel (machine construction, metallurgy), while existing agreements with the Mitsui group were extended. As far back as 1974 the USSR Ministry of Coal Industry concluded a 20-year agreement with the firms Mitsui Mining (Japan) and Kaiser Resources Ltd (Canada) regarding basic research in the field of borehole sinkings by the mining industry. The technical project of a high-capacity ammonia plant was agreed with Toyo Engineering; both partners are now in the process of developing a plant for methanol production.<sup>27</sup> Furthermore several Japanese firms are working with Soviet licenses, in metallurgy and chemicals among others.

Nevertheless Japan's economic relations with the socialist countries still have great future potential. Prominent Japanese politicians themselves emphasize that fact. Soon after taking office, for example, Japanese Prime Minister Zenko Suzuki stated at a press conference on 18 August 1980 that relations with the Soviet Union "are of great importance for Japan" and added that it would therefore be necessary "to revive the friendship between the two countries, because this is necessary both from the aspect of peace and stability in Asia and that of mutual benefit and the prosperity of both countries."<sup>28</sup>

Precisely in view of the problems arising from the profound changes in the world economy--economic instability in the capitalist countries, the growing deficit of energy resources and many raw materials, the necessity to settle global problems, the rise of protectionist tendencies, and so on--far reaching economic cooperation with the CEMA countries would be beneficial for Japan, have good economic prospects and at the same time provide an important contribution to the consolidation of peace and security in the Far East and the world as a whole.

#### FOOTNOTES

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2. Text in NOVY MIR, Moscow, 44/1956, supplement.
3. See V. Dalnev, "Obstructions to the Development of Soviet-Japanese Relations," MEZHDUNARODNAYA ZHIZN, Moscow 1/1981, p. 60.
4. See R. Aliyev, "Tokyo's Politics in Asia and the Pacific Region," MIROVAYA EKONOMIKA I MEZHDUNARODNYE OTHNOShENIYA (MEMO), Moscow 9/1980, p. 34; D. Petrov, "Japan at the Present Time," MEMO, 12/1980, p. 78; also HANDELSBLATT, Duesseldorf, 24 April 1980; NEUE ZUERCHER ZEITUNG, Zurich, 6 September 1980.
5. See BIKI, Moscow, 12 February 1981.
6. See R. Aliyev, as above.



7. For text of the agreement see DDR-AUSSENWIRTSCHAFT, Berlin, No 12-13, 26 March 1975, supplement, p 1.
8. See NEUES DEUTSCHLAND, Berlin, 28/29 May 1977.
9. See NEUES DEUTSCHLAND, 2/3 September 1978.
10. DDR-AUSSENWIRTSCHAFT, No 11/3, 15 March 1979, fair bulletin, p 3 and No 36/3 of 6 September 1979, fair bulletin, p 2; NEUES DEUTSCHLAND, 28 November 1979.
11. See NEUES DEUTSCHLAND, 25 September 1979.
12. See NEUES DEUTSCHLAND, 1/2 December 1979.
13. See NEUES DEUTSCHLAND, 3 February 1981.
14. See NEUES DEUTSCHLAND, 9 April 1980.
15. See NEUES DEUTSCHLAND, 25 September 1979 and 27 November 1979; DDR-AUSSENWIRTSCHAFT No 7, 19 February 1975.
16. See SOTSIALISTICHESKAYA INDUSTRIYA, Moscow, 19 July 1980; NEUES DEUTSCHLAND, 15 January 1980.
17. See NEUES DEUTSCHLAND, 21 January 1980.
18. See NEUES DEUTSCHLAND, 24 January 1980 and 11 September 1980.
19. HANDELSBLATT, 14 January 1980.
20. See NOVY MIR, 25/1980, p 25; also FRANKFURTER RUNDSCHAU, Frankfurt/Main, 5 September 1980.
21. DIE ZEIT, Hamburg, 14 November 1980.
22. See NEUES DEUTSCHLAND, 7 March 1980; NOVY MIR, 48/1980, p 15; BIKI, 4 November 1980.
23. AUSSENHANDEL UDSSR, Moscow, 11/1980, computed as per statistical supplement.
24. See "New Stage of Economic Cooperation Between the USSR and Developed Capitalist Countries," Moscow 1978, pp 105 f; also NEUE ZUERCHER ZEITUNG, 6 September 1980 and 28/29 December 1980.
25. See AUSSENHANDEL UDSSR, 12/1980, p 21; BULGARISCHER AUSSENHANDEL, Sofia, 4/1980, p 27; DDR-AUSSENWIRTSCHAFT, No 27, 6 July 1977.
26. DDR-AUSSENWIRTSCHAFT, No 14, 4 April 1979, and No 49, 5 December 1979.
27. I. Savvulova, "CMEA Countries in World Trade With Technology," AUSSENHANDEL UDSSR, 1/1980, p 32; DDR-AUSSENWIRTSCHAFT, No 49, 3 December 1980.
28. JAPAN TIMES, Tokyo, 19 August 1980.

**FIRST EXTENSION OF USSR-BULGARIA GAS LINE COMMISSIONED**

Sofia STROITEL in Bulgarian 27 May 61 p 1

[Text] The day of 25 May became a great holiday of Bulgarian-Soviet friendship and cooperation. Hundreds of people from Dimitrovgrad, designers, construction workers, fitters, investors, and Soviet experts gathered in front of the Public Chemical Combine for the official opening of the first extension of the main USSR-Bulgaria gas line.

A highly esteemed guest at the celebration was the member of Politburo of the BCP Central Committee and first vice president of the Council of Ministers, Todor Bozhinov. Minister of Construction and Construction Materials Ivan Sakarev was present too, as well as the section chief of construction and architecture at the BCP Central Committee Stanoy Yonev, the first secretary of the BCP Okrug Committee in Khaskovo Stoyan Stoyanov, the first deputy minister for chemical industry, Ivan Gavrilov, the president of the Executive Committee of the Okrug People's Council in Khaskovo, Vasil Pasev, the secretary of the Trade Unions' Central Committee, Dragonir Boyadzhiev, the first secretary of the BCP Obshtina Committee in Dimitrovgrad, Atanas Tenchev, the president of the executive committee of the Obshtina People's Council in Dimitrovgrad, Khristo Shishkov and other leaders.

The rally was opened and presided over by the first secretary of the BCP Okrug Committee in Khaskovo, Stoyan Stoyanov. The director of the Gasstroymentazh installation administration, an engineer and hero of socialist labor, Stoyan Stoyanov, spoke about the building of the first extension of the USSR-Bulgaria gas line. He pointed out that almost 7 years have passed since the first Soviet natural gas, like a life-giving stream of Bulgarian-Soviet friendship, crossed our border. Thirty-seven big enterprises in our country have already received over 18.5 billion cubic meters of Soviet natural gas through the arteries of the gas line. Every day now we receive about 14 million cubic meters of natural gas from the Soviet Union. This is tantamount to 1 1/2 20-ton fuel tanks a minute. More than 800 km of gas lines have been built. The Soviet blue fuel has reached Pernik, Sofia, Devnya, Pleven, Burgas, and Dimitrovgrad--the city of the youth brigade movement.

Bulgaria is the first country in the world to achieve 100-percent synthesis of ammonia on the basis of natural gas. This is the most efficient method in use.

The production of cement has been converted almost completely to natural gas. The thermo-electric plants in Varna, Pleven, Kremikovtsi, and Sofia have been converted to gas. A number of other enterprises in the machine-building, steel and light industries use natural gas. The gas line has crossed scores of railway lines, freeways, mountains, and rivers. Today our fatherland has a new industrial branch related to the exploitation and building of gas lines. The construction projects that were handed over are of excellent or very good quality. These achievements are a result of direct Soviet assistance, of the Friendship competition and of the implementation of advanced Soviet and world know-how.

We owe all this to the immeasurable, fraternal help of the great Soviet Union, to our esteemed Bulgarian-Soviet friendship and to the increasing integration with other countries of the socialist community.

In the most difficult moments, the fitters and construction workers enjoyed the great support of BCP Central Committee and the personal support of General Secretary of the BCP Central Committee Comrade Todor Zhivkov in solving the problems in the gas line building. Exceptional heroism was demonstrated in the most difficult places by Petur Karadechev, Ivan Pangarov, Oleg Kachura, Karamfil Petrov, Nikola Yanev, Ivan Asparukhov, Sotir Shiderov, Stancho Kostov, Dimitur Pachovski, and many others. The collectives engaged in the building of the gas line system in our country entered the Eighth Five-Year Plan with major achievements and a firm ambition to continue to fulfill all assignments ahead of schedule and with high quality.

The president of the Executive Committee of the Okrug People's Council in Khaskovo, Vasil Ponev, read an edict of the State Council for conferring prizes and medals on builders, fitters, designers and investors who participated actively in the construction of the "Main USSR-Bulgaria-South Gas Line." Comrade Todor Bozhinov presented the Georgi Dimitrov Medal to the director of investment administration of the USSR-Bulgaria-South Gas Line, Dimitur Sirakov, the People's Republic of Bulgaria Medal, first degree, to the electric welder from the GasstroyMontazh Installation Administration, Oleg Kachura, and the People's Republic of Bulgaria Medal, third degree, to the deputy manager of the GasstroyMontazh Installation Administration, Konstantin Dudushov.

On behalf of the Soviet experts, Boris Barbash congratulated the Bulgarian builders and fitters on their achievements.

Those taking part in the rally sent a telegram expressing appreciation to the CPSU Central Committee and the BCP Central Committee.

Todor Bozhinov, members of the Politburo of the BCP Central Committee and first vice-president of the Council of Ministers, addressed the rally. He pointed out that a major project in the economy of our country is being commissioned. This celebration is not only for the people of Dimitrograd, but also for the nation as a whole. The gas line is of immense importance for intensification of production in our country, for fulfillment of the objectives set in the report by Comrade Todor Zhivkov to the 12th BCP Congress. It is not only an immense accomplishment, but it is also being constructed under extremely difficult conditions. Learning by the rich Soviet experience and with the daily fraternal

help of the Soviet experts, the collectives of Gasmontazh, the designers and investors, all who participated in the building of the gas line performed a heroic feat and set an example of how we should work to fulfill the decisions of the 12th BCP Congress. We could not possibly imagine the gas line without Soviet help, without Soviet comrades. This is a gas line of friendship. Comrade Todor Zhivkov congratulated the people of Dimitrograd and the okrugs through which the gas line passes on their new great acquisition and thanked them for their cooperation in its building. Then he lit the torch with Soviet gas.

The blue fuel blazed up in Dimitrograd too. It was a brilliant expression of the crystal-clear Bulgarian-Soviet friendship, of the correctness of the road we have taken to socialism and of our great progress on the eve of the 1,300th anniversary of our fatherland.

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CS01 2200/100

# BULGARIA

## REPORT, COMMENT ON INDUSTRIAL PRODUCTION FOR JANUARY-APRIL 81 PERIOD

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 27 May 81 p 4

[Report of the Committee on the Uniform Social Information System: "Bulgarian Industry Between January and April 1981"]

[Text] The April commodity production plan was fulfilled 104.4 percent; the plan for goods marketed was fulfilled 106.3 percent. Between January and April the respective fulfillment was 103.6 and 102.9 percent. Compared with the same period of 1980 output rose by 7.3 percent.

The fulfillment of the plan for commodity industrial output and for the goods marketed between January and April, by ministry, was the following:

Министерство (1)	Степен на изпълнение (2)	Процент на изпълнение (3)
М-во на енергетиката 4)	102.3	102.3
М-во на химическата промишленост 5)	102.3	101.7
М-во на машиностроенето 6)	103.2	103.2
М-во на електрониката и електроенергията 7)	102.3	101.2
М-во на дървото промишленост 8)	104.1	101.7
Национален аграрно-промишлен съюз 9)	104.8	105.7
М-во на строителството и строителните материали 10)	102.9	98.4
М-во на металургията и минералните ресурси 11)	101.3	100.9
М-во на транспорта 12)	103.4	101.8
М-во на горите и горската промишленост 13)	104.7	102.8
М-во на вътрешната търговия и услуги 14)	105.8	102.5

### Key:

- |   |   |
|---|---|
| 1. Ministry   | 8. Ministry of Light Industry                           |
| 2. Commodity output                                   | 9. National Agroindustrial Union                        |
| 3. Goods marketed                                     | 10. Ministry of Construction and Construction Materials |
| 4. Ministry of Power Supply                           | 11. Ministry of Metallurgy and Mineral Resources        |
| 5. Ministry of Chemical Industries                    | 12. Ministry of Transport                               |
| 6. Ministry of Machine Building                       | 13. Ministry of Forests and Forest Industry             |
| 7. Ministry of Electronics and Electrical Engineering | 14. Ministry of Internal Trade and Public Services      |



The production of some basic industrial commodities between January and April was as follows:

	Марка (1)	Производство продукции в % к январю-апрелю (2) 1981 г.	Январь-апрель 1981 г. в % к январю-апрелю 1980 г. (3)
Электроэнергия 4)	млн. квт. ч 5)	11607	107,4
Каменный уголь 6)	млн. т 7)	10461	101,2
Стальная изливка 8)	млн. т 7)	847	107,3
Вальцованый черные металлы 9)	млн. т 7)	1060	106,1
Стружка вальцованная ленточная 10)	млн. т 7)	222	105,7
Стальная труба 11)	млн. т 7)	66	104,6
Стружка 12)	млн. т 7)	3065	103,9
Электропровода 14)	млн. т 7)	41345	102,5
Фосфорные горючие 15)	млн. т 7)	76	145,1
Лакочерный и лаки 16)	млн. т 7)	16364	99,3
Асбесто-цементные трубы 18)	млн. м 19)	851	104,4
Цемент 20)	млн. т 7)	1706	109,4
Ткань 21)	млн. кв. м 22)	376903	104,7
Целлюлоза 23)	млн. т 7)	60	109,2
Хартия 24)	млн. т 7)	113	106,3
Домашняя посуда 25)	млн. шт 26)	10158	113,5
Фаянсовый плиточный 27)	млн. кв. м 28)	87	105,6
Панельный плиточный 29)	млн. м 19)	118797	101,4
Копирный плиточный 30)	млн. м 19)	11771	105,6
Горно-техническое оборудование 31)	млн. кв. м 22)	13729	102,8
Швейная машина 32)	млн. шт 26)	104598	107,3
Обувь 33)	млн. пар 34)	6312	104,3
Мясо 35)	млн. т 7)	132	99,6
Мясные продукты 36)	млн. т 7)	29	107,4
Фрукты консервированные 37)	млн. т 7)	67	122,6
Кашкавал 38)	млн. т 7)	7	119,8
Сахар 39)	млн. т 7)	125	138,2

Key:

- |  |                           |
|--|---------------------------|
| 1. Measure   | 21. Brakes                |
| 2. Goods produced between January and April            | 22. Thousand pieces       |
| 3. January-April 1981 in percent of January-April 1980 | 23. Cellulose             |
| 4. Electric Power                                      | 24. Paper                 |
| 5. Million kilowatt hours                              | 25. Household glassware   |
| 6. Coal  | 26. Thousand leva         |
| 7. Thousand tons                                       | 27. Porcelain tiles       |
| 8. Steel in ingots                                     | 28. Million pieces        |
| 9. Rolled ferrous metals                               | 29. Cotton fabrics        |
| 10. Cold rolled steel sheets                           | 30. Silk fabrics          |
| 11. Steel pipes  | 31. Upper knitted wear    |
| 12. Lathes   | 32. Clothing              |
| 13. Pieces   | 33. Shoes                 |
| 14. Electric hoists                                    | 34. Thousand pairs        |
| 15. Phosphorus fertilizers                             | 35. Meat                  |
| 16. Oil paints and dyes                                | 36. Meat products         |
| 17. Tons   | 37. Canned fruit          |
| 18. Asbestos-cement pipes                              | 38. Kashkaval-type cheese |
| 19. Thousand meters                                    | 39. Sugar                 |
| 20. Cement   |                           |

#### Comment

Industry retained the high pace of the pre-congress competition period in April. Consequently, capacities, raw materials, materials and manpower were used better. Two particularly important facts prove that fruitful production activities were carried out: the overfulfillment of the plan for commodity output and for marketing by all basic ministries and departments and the rhythmical implementation of the annual assignment for both indicators.

Very good results were achieved in April and in the first four months of the year in the implementation of the plan for the production of goods important to the national economy, such as electric power, coal, calcinated soda, nitrogen fertilizers, polyethylene fabrics, chemical fibers and fabrics, internal combustion engines, lathes, electric hoists, gas operated and fork lift trucks, and others.

By the end of April 32.6 percent of the commodity output planned for the year had been produced and 32.3 percent of the planned income had been earned. This is an important prerequisite for the fulfillment of the plan for the first six months and for the entire 1981 and for the production of a larger amount of goods.

However, some weaknesses, of internal nature essentially, allowed by many subunits, must be eliminated. Thus, for example, in the first four months of the year 155 subunits fell behind the fulfillment of their plan for commodity output. A certain slowdown in commodity shipments, caused by delayed preparations, was noted as well.

5003

CSO: 2200/103

## SHORTAGE OF COMMON, DURABLE CONSUMER GOODS DISCUSSED

Sofia ZHENATA DNES in Bulgarian No 5, 1981 pp 16-18

[Article by Rayna Vulcheva: "Consumer Goods"]

[Text] I was standing by the secretary's desk. I had already requested a short meeting with the director of the enterprise. The girl left my question unanswered and, as though to show me the untimely nature of my visit, opened an envelope and concentrated on her reading. Nevertheless, I had a talk with the director. Furthermore, my visit to the Georgi Kostov Direct Current Machines and Installations Plant in Sofia proved to be quite timely. At the very beginning of our conversation, engineer Nedyalko Tonev, chief director of the plant, assured me that although the basic output of the enterprise was entirely different, here as well, as in many other plants, factories and combines throughout the country, they were considering the production of "consumer" goods.

"Currently," the director said, "we are developing a full range of small motors which will have a very wide application. We have established relations with the Komuna Plant. The plant will install our electric motors in small automobile compressors. We have contractual relations with the Anton Ivanov Plant which needs our little motors for ice cream mixers. We have reached an agreement with the director of the plant for structural elements. It will try to use our small electric motors in mechanized toys."

The conversation started well. Perhaps this was due to the fact that the work appeared to be going well also. The very next day I was personally admiring the items exhibited at the Liliya Karastoyanova Youth House, where more than 30 plants from the Kolarov Rayon in Sofia were exhibiting items we could only dream of, never seen before. I am not exaggerating! They were beauties. There were big and comfortable refrigerators in warm and delicate colors. There were decorated pots, tea kettles and coffee makers. There were shelves for kitchens and basements, pure white, on wheels. They were so beautiful that, if purchased, one would feel like turning one's basement into a pharmacy. But all this shall be discussed later!

I was still in the director's office. I was even asked for my advice: what would I say from the woman's point of view, if an electric manicure set appeared on the market. "That would be nice," I said. "How expensive would it be?" "Quite," answered a young engineer who was also present. "Would you buy one?" "No!" I said

briefly. "My family budget cannot afford an electric powered gadget for manicure."

This was the present, for everything I have already said is something for the future. I do believe in the future that I would like to see what is happening now. I addressed myself to Comrade Konstantinov, the official in charge of the plant's consumer goods shop. After a hasty introduction we took off for his department. We crossed a muddy yard. The plant is undergoing basic reconstruction. A huge shop is under construction and only then...only then will the consumer goods section be housed under the plant's roof.

"I should have discussed this with the director," Comrade Konstantinov mumbled as he splashed along the deep mud. "I tried to avoid a quarrel in your presence. What can I show you now? Why does he not come here to refresh his memory as to where, with what, and how those who made 120,000 leva profit for the plant last year work, those people who overfulfilled their plan out of nothing. A 'consumer goods shop'? Nothing! Now I have to drag you around miserable little shops until lunchtime, to show you the conditions under which we must produce goods worth 960,000 leva--twice last year's amount."

This statement was bound to be followed by an allegorical story which he told me. In his tiny office he made us a coffee with a handmade device consisting of two teaspoons. I could see how well the things in his office were made and twisted around to look at his goods exhibited on the walls: brass hangers, door and window handles, small motor vehicle parts, a tiny household vise, tracks for shower curtains, etc.

Let me describe only one of the ten or so work areas, thus skipping unnecessary details. It was a small house in the Iliyantsi district, old and almost crumbling. Once again we made our way between manual presses, piles of metal and bags with plastic materials. What the five workers were doing here is of no interest. What was of interest is how they were doing it. There was a smell of acetone in the air. Three women were huddling from the cold, wearing padded jackets and sweaters. The young man and the old foreman were the only ones wearing less clothes, as their work called for squeezing the press some 700 times daily. No heating was allowed by the fire prevention service, quite justifiably. The presses were owned by the older man and the brigade worked for him. The materials alone belonged to the plant. Obviously, this was a useful symbiosis of private with state initiative. This is what gives painful birth to "consumer goods" which are in such great demand.

I shall now express some views regarding "noncadre" consumer goods. The fact that this concept is not to be found in our dictionaries is not the trouble. The trouble is that this term has neither industrial, nor trade nor any civic backing. Think: what does it mean? What are the type of goods which could be easily labeled "consumer goods"? Which type of goods are not entitled to this label? Some people with whom I talked tried shyly to separate them from consumer goods. According to others, these were goods produced within the local industry system. Others again claimed that consumer goods are goods produced from technological byproducts in enterprises engaged in other types of basic production. People with deeper knowledge of economics believe that not one of these concepts is applicable to that of consumer goods. In one of his articles Prof Krum Aleksandrov, Dr of Economic Sciences,

in discussing consumer demand, defined four types of goods and approaches in the study of the demand for such goods, as follows:

Food products;

Clothing and shoes;

Fashion goods; and

Goods for specific requirements.

Each of these groups is governed by different principles and must be studied in different ways. Whereas scientists know the amount of butter, eggs and meat which the Bulgarian person must consume annually to remain healthy and able bodied, how many shoes he should have and how many overcoats in order not to be cold and feel good, who knows how many cooking pots (generally speaking) are needed by a household, and how many plastic boxes, shelves, and so on, should be made available to the market place? Who could say now how many ice cream mixers will be bought by the citizens of Sofia, for example? If any producer, retail merchant, institute student or wholesale merchant knows this, it means that after an extensive study of the problem I must have omitted something and, therefore, should be criticized severely. What I have found out, however, has indicated to me that I have no right to mention any figure whatsoever. The opposite, however, should be mentioned: such needs are not being studied. Let us ignore statistics and, for the time being, claim that consumer goods is the third flow of commodities going to the home, the kitchen, the bathroom and the daily requirements. This ranges from a soap box to hangers in the bathroom. Just try, in such a case, to draw up a list of what you need in order to fill all your needs and live comfortably. Draw up a list of minor things which are frequently unavailable.

Once a customs officer told me that "I have been working in the customs office for 15 years. I could draw up for you a very specific list of petty items in short supply in our country. Although I found it silly, it was no laughing matter to remember that at one point our own Mister Senko had brought from the Soviet Union a pressure cooker."

It is no secret that there is a shortage of some items in our country. A large number of important government documents regulate and demand that such shortages be eliminated. If we are to name them, we should begin with the December party program, and mention many decrees, orders, and demands personally formulated by Comrade Todor Zhivkov and those of the National Party Conference and the conference with the party and state aktiv, which was held in Ruse in May of 1980. The problem is also prominently featured in the documents of the 12th BCP Congress. The fact is that greater consideration has been given to it or, more accurately, greater initiative has been displayed. It is becoming almost a matter of honor for each plant to assign some capacities and manpower for the production of such minor yet so greatly needed items of daily life. Let me go back to the rayon exhibits in Sofia of last January, which displayed miracles of so far unused plant production possibilities. I recall the time I found myself at the Liliya Karastoyanova Rayon Youth House where the exhibit was being organized. I saw directors and chief engineers of about a dozen producing plants. They were hurrying to report, with a particular feeling of pride, the fact that that particular shelving, or that marketing



wheel cart had been made of technological waste. Every single one of them could name the amount of such items he could supply the market that very year. However, someone had to tell them how much the market needs, for according to the system of the new economic mechanism no one has the right or no one would profit from the production of goods according to one's whim. This would make the project very risky and would be far more unpleasant than the situation which prevailed one or two years ago.

At this point, we come to a feedback situation.

Every year the trade system supplies the market with consumer goods on the basis of some 10,000 or even more contracts concluded with producers. Once an article has been developed in modeling and design bureaus of enterprises, the following stage is to support it with the help of production capacities. The third and most important stage is to ensure the marketing of it. Who is responsible for "the most important" stage? Who decides whether or not I need cups, cooking pots, bathroom tiles, hinges, or big and small boxes? Practically speaking, it is the trade official who signs the contract. What is the basis for the signature? What approximate figure has he received concerning the needs of my house? For the time being, none! He can make a rough estimate on the basis of last year's market situation, his commercial instinct, or the requests of the salespeople (which, incidentally, are also based on a rule of thumb). However, neither he or the producer, should the figure prove to be wrong, suffer from economic consequences. Such consequences are borne by the state. Only quite recently has the practice been applied that if consumer goods are not supplied by the producer on time the bank may withdraw foreign exchange from the account of the producing enterprise to pay for imports. However, this essentially serious measure does not apply to consumer goods, for they remain outside the variety plans of enterprises. The penalty may be applied in the case of consumer goods only when the production of consumer goods is the basic undertaking of an enterprise, as would be the case, for example, of the Oborishte Enamelled Container Plants in Sofia. If we accept the definition we gave for this type of commodity, there are very few enterprises in our country engaged exclusively in the production of consumer goods and their share in the items shipped to the marketplace is quite insignificant.

Briefly stated, this investigation allows us to draw a few conclusions and make several consequent suggestions.

The only information available so far to the producer is contained in the trade contracts. Such information is still haphazard and inaccurate. It is high time to develop an accurate system for feedback: demand-trade organization-producer. Studies have been made on this subject both domestically and abroad. Therefore, we should make use of them. Once the needs of the extensive domestic market have become known, petty goods for the home should become part of the planned obligations of anyone involved in their production, even if industrial byproducts have to be used. This must not be treated as a general concept in terms of profits but in terms of specific varieties.

A great deal is known concerning the quality of such petty problem goods. However, even when such goods are available, their quality remains poor and they fail to perform as they should. What is the reason for the poor quality? Quite frequently it originates in the shop producing the item as imagined by someone who has seen

something similar and has liked it. Naturally, other problems exist as well: color, materials,... However, in the overwhelming number of cases the problem lies in the untried taste of the creator. When there is a vacuum, however, anything may be used to fill it. When something is unavailable on the market, substitutes will be bought and even gratefully so. Let us take the case of bathroom hangers. Someone would decide to produce them. Their quality would be extremely poor but the people would buy. They would crowd their bathrooms with all kinds of hangers and towel racks. They would look at the ugliness, become accustomed to it and, when the people have the opportunity to create something beautiful their idea of beauty would turn out to be quite distorted. This example may appear somewhat drastic. Well, you may say, the aesthetic criteria of the people cannot be distorted by an ugly bathroom. But what if it is not a question of the bathroom only? What if one is surrounded by ugly shelves, tiles, flooring, or cooking pots..., when one boils one's coffee in a poorly made container instead of a nicely made coffee pot, and what if one drinks one's coffee in clumsily painted cups? What happens then?

Most of the petty goods do not require the approval of the Center for Industrial Aesthetics. No models are manufactured even for intra-plant competitions. Sample series of consumers outside the plant are not tested, as is done in many countries. The enterprises are still not allocating funds for such "luxuries." Such goods are created like typhoons, as a result of the inner impulses of individuals. Designers still remain uninvolved.

This means that a system for controlling their manufacturing must be organized. If we want such objects to be worthy of our modern life, in addition to being available, we should formulate strict requirements toward and properly reward their creators.

5003

CSO: 2200/103

LIVESTOCK PRODUCTION ASSESSMENT ENCOURAGES PRIVATE BREEDING

Prague NAS CHOV in Czech No 4 Apr 81 pp 142-143

[Article by Eng Miroslav Dvoracek, ScC, university lecturer, Research Center for Livestock Production in Uhřetěves: "The Development of Livestock Production in the Seventh Five-Year Plan"]

[Text] With this introductory article we wish to initiate a discussion of the topic "Intensification of Livestock Production, Particularly of Cattle Raising" which will assess in the form of a frank exchange of opinions the main tasks in the development of our livestock production over the next 5 years. In my view, the first requirement here is to scrutinize the conditions in which we shall fulfill those tasks because it may be expected that certain factors which will appear in the future development will favorably affect our efforts, as for example, the progressing consolidation of livestock farming, especially cattle breeding, which promises that those livestock farms whose standard is far below the statewide average will soon be liquidated. Another factor exerting a positive effect involves gradual implementation of more objective methods of selection in the process of improving the breed, based on scientific knowledge, thus also more effective. The fact that the cadres of our livestock breeders acquired new information and experience will certainly play a positive role. Some other circumstances are working to our advantage. More space is available in the stables, stable facilities are furnished with better technological equipment, and so on.

On the other hand, we must bear in mind that the future development will be affected by certain factors that will weaken the beneficial effect of the positive factors. For instance, the shortages of all kinds of fodder in the market, especially the top-quality additives to feed mixes, are still evident. Naturally, their short supplies constantly push up their prices in world markets, and precisely this factor affects our livestock production. Let us remember that the contribution of feed mixes which, with appropriate additives, provide highly nutritious fodder is very much appreciated all over the world. The knowledge acquired in recent years by systematic study of nutritional physiology and by endless experiments with fodder has resulted in the production of highly nutritious feed mixes which help fully develop the capacities of livestock production without impairing the organism of the animals. For that reason, the results of scientific research concerning the comprehensive effect of complete feed ration are rightfully regarded as one of the greatest contributions of scientific research to livestock production. I mention this fact because with a growing specialization of production branches in our country there is obviously urgent need to have on hand a certain amount of mixes produced

according to formulas with guaranteed high nutritional effect. Particularly in large-scale operations, we bred highly productive milking cows capable of yields commensurate with high operational costs. For that reason, bulls of a special milk-producing stock which are used for insemination have very markedly enhanced location and productivity of milk. Without highly nutritional feed mixes, however, it is practically impossible in large-scale breeding operations to establish for the most productive cows the type of feed dose corresponding to their productivity. We must keep in mind at all times that if they should be profitable, high investments in the construction of large-scale breeding centers demand that mass breeding operations be distinguished not only for the high standard of their care for the animals but also for their highly intensive production. It will be necessary, therefore, to demand more than before that the managing cadres responsible for the whole organization scrupulously maintain the prescribed zootechnical regimen. As particularly urgent measures, I regard the stepped up efforts to expand and improve the quality of the natural fodder base for cattle raising, to conserve carefully all types of fodders and to utilize them rationally. After all, we cannot disregard the fact that as early as 1975 our VLD [Livestock Calculation Units] consumed 1.1 tons of grain fodder, as compared, for instance, with only 0.9 of grain consumed at that time in the FRG, 0.7 in France, and 0.6 in the Netherlands. These data no longer apply at present because with increased intensity of production grain consumption also increased; nevertheless, they are proof that the above-mentioned countries achieved substantially higher qualities of the basic volume of the feed ration and that they add several kinds of appropriate dried leaf fodder to the mix to replace grain. Undoubtedly such methods are more laborious. Systematic increases of the share of grain used for fodder are no longer permissible, so much more so because the prognoses for the future development anticipate greater shortages and escalating prices of grain.

In my opinion, the principal task in the development of livestock production is to expand livestock inventories and to increase their productivity in accordance with advancing specialization. I note with satisfaction that the preconditions for the fulfillment of these tasks appear now far more favorable than before. In this respect, the economic measures adopted toward the end of the Sixth Five-Year Plan, which demonstrate decisively beneficial effects, facilitate the achievement of good utility values of cattle and a satisfactory level of production profitability. This is of particular importance because cattle raising has long ceased to be the concern of small producers and become an enormous branch of production in every agricultural enterprise, demanding the highest investments of funds and labor. For that reason, the economic outcome of cattle raising is systematically surveyed and assessed. It is quite understandable that if an unfavorable economic outcome is ascertained, measures must be taken to restrict the cattle inventory instead of expanding it. Over the long period of my involvement in scientific research of livestock production, I became more and more convinced and came to agree with our soil and botany experts that our efforts to exploit every hectare of land as intensively as possible will be crowned with success if sufficiently large herds of cattle are produced. After all, we find examples in many European states which have less acreage per citizen but produce relatively more cattle than our country, which proves that this premise is correct. In my opinion, it is of vital interest for our whole society to apply in the Seventh Five-Year Plan more radical measures for more intensive exploitation particularly of non arable land, even if it involves more manual labor.



Naturally, we cannot operate without occasional help rendered by volunteer teams, however, such aid should come promptly on an agrotechnical schedule, not just to salvage what has already deteriorated and been left over. In other words, we must plan harvests much better, secure all necessary equipment, and have manual power mowers available for inaccessible or hillside areas.

Again, I want to emphasize that the period of the Seventh Five-Year Plan should successfully continue the favorable change in the development of cattle raising which has been demonstrated thus far, however, only by accelerated increases of milk productivity, but which should generate higher density of cattle and higher meat production. In order to achieve this goal, it means, among other things, better planned management in the development of cattle raising, particularly unified management of the systematically improved cattle-raising process. This circumstance is most advantageous for our socialist state, which is recognized even in states with capitalist economy where intensive cattle breeding for rapidly increased milk production has led to such increases in grain fodder consumption that it is intolerable at present and will become even more so in the future. We must avoid this kind of error and for that reason, we must test systematically and upgrade the methods of cattle husbandry and breeding. This calls above all for completion of a network of centers which are now under construction, for control of genetic utility qualities of the cattle. The control should pertain not only to the amount but also to the quality of the production. If we consider that the ratio of beef to pork in the production of smoked meats and meat products is about 40:60, the meat industry procures a considerable share of the slaughter cattle for its own consumption. Thus far, however, our meat industry has failed to specify with adequate clarity the quality of the slaughter cattle which is particularly suitable for the production of smoked meats and meat specialties. For instance, we know that the producers of smoked meats used to be interested primarily in young steers that had not been fully fattened and had not formed tallow, because their meat was more suitable for the production of the binding mash. Young steers were fattened for that purpose almost exclusively by bulk fodder.

We regard the information on the auspicious progress of replacement in cattle breeding and calf fattening as most significant. In the Seventh Five-Year Plan the synchronized rut should be rotated and the method for prompt diagnosis of the oestrus applied more than before. These processes, which have been already sufficiently tested, help better organize replacement in the herds of breeding females and upgrade their treatment, particularly after birth, as well as the care for newborn calves.

The effort to eliminate factors causing some operations to lag considerably behind others in their economic production indicators will undoubtedly be a task of major importance in the orientation of the further development in hog breeding and fattening. As one of such cases, I regard the practice of fattening stations to raise or procure various types of crossbred pigs for which it is difficult, due to certain differences in their demands, to determine the best environment for successful fattening. To be sure, the same situation occurs also in large-scale cattle-fattening stations with the offspring of many sires whose growth and fattening potentials differ and thus, whose capacities for the best return on a uniform feed ration also vary. All that was said about the most urgent tasks in cattle raising fully applies to hog raising where the concern is the production of more demanding, meaty types



of hybrid gilts. This means in essence that mere reduction of labor costs is not of paramount importance; on the contrary, what is required is better care for the sows and pigs during the postnatal and nursing period. The losses of young livestock on the statewide scale are enormous and unfortunately, they are not declining, although they may be prevented by better care and prompt veterinarian treatment. The efforts to economize on labor costs here are totally out of place.

I consider it necessary to mention, furthermore, the following fact: In the CSSR the amount of livestock raised by private breeders is the lowest of all socialist states. Naturally, that is no advantage. I think that certain forms of aid offered to private breeders in our neighboring socialist states should be introduced in our country as well. For example, the decision of the CPSU Central Committee and of the Council of Ministers in the USSR of 3 January 1981 approved additional measures supporting the development of private auxiliary economy by Soviet citizens. In view of the more distinctive social changes in the life of the village population in the CSSR, it will be hardly possible to count on maintaining a certain level of individual cattle raising, especially of milking cows. Nevertheless, this may be made up by more contracts on seasonal fattening of cattle, and especially in poultry and sheep breeding. Some observations by the Research Institute for Livestock Production in Ukraine prove that high-productivity flocks of poultry raised in small-scale operations are as productive as those raised in large-scale enterprises where, naturally, breeding and fattening proceed exclusively on the basis of complete feed mixes whose production makes greater demands on foreign exchange year after year. Analogically, sheep farming which is attractive for small breeders should be encouraged.

In conclusion, I wish to sum up my views on rational fulfillment of the tasks in the development of livestock production in the current five-year plan. I must repeat once more that I consider it extremely important for all our citizens to appreciate more every hectare of our economically productive land and to use it more intensively. Moreover, it is imperative to do everything possible in order to prevent the great losses which we have tended thus far to overlook in most cases with inappropriate magnanimity. In the coming years, we must see to it that the operations in our livestock production do not pollute our environment, especially our water resources.

Finally, I should like to stress that we must keep searching for ways and suggestions on how to encourage in all workers in our livestock production interest, professional qualification and ambition to excel. Breeders lacking such qualities do not raise, in the true sense of the word, livestock but more or less increase the numbers of animals.

We appeal to all readers of SAS GBOV and to agricultural experts that they contribute their experience and their views to the discussion on "Intensification of Livestock Production, Particularly Cattle Breeding" in order to promote the further intensive development of CSSR livestock production.

9800

CSD: 2400/211

ORGANIZATION OF INDUSTRIAL MINISTRY ANNOUNCED

Personnel and Responsibilities

Budapest IPARI KOZLOMNY in Hungarian No 1, 20 Jan 81 pp 2-9

[Announcement No 200/1981 IpM (Industrial Ministry): "Heads of Organizational Units of the Industrial Ministry"]

[Text] The minister supervises:

Main Department of Personnel and Training

headed by: Laszlo Dobrotka, main department head

his general deputy is: Sandor Gacsai, deputy main department head

I. Regional Personnel Department

headed by: Jozsef Dulay department head

II. Regional Personnel Department

headed by: Mihaly Horvath deputy main department head

III. Regional Personnel Department

headed by: Tibor Benko deputy main department head

Analytical and Record Keeping Department

headed by: Dr Lajos Szabo department head

Training Department

headed by: Dr Gabor Balocsa, department head

Administrative and Legal Main Department

headed by: Istvan Torkenczy, main department head

his deputies are: Dr Janos Danko, deputy main department head,

[and] Miklos Denes, deputy main department head

Legal Department

headed by: Dr Peter Schmidt, department head

Council Coordinating Group

headed by: Dr Gabor Szucs, group leader, ministerial counsel

Administrative Department

headed by: Dr Sandor Hylri, department head

Information Department

headed by: Dr Alfred Walter, department head

Management Department

headed by: Laszlo Lang, department head

**Budget Department**

headed by: Iure Kovacs, department head

**Economics Department**

headed by: Dr Sander Racz, department head

Bela Rabi, general state secretary, the minister's first deputy supervises:

**Industrial Economics Main Group**

headed by: Andrea Deak, main group leader

her deputies are: Jozsef Thuma, industrial policy main department head,  
[and] Dr Magdolna Csath, economics main department head

**Development Policy Department**

headed by: Tamas Leval, deputy main department head

**Investment Department**

headed by: Karoly Emedy, deputy main department head

**Engineering Department**

headed by: Dr Jozsef Csok, deputy main department head

**Planning and Economics Department**

headed by: Miklos Tombacz, deputy main department head

**Organizational Development Department**

headed by: János Deak, deputy main department head

**International Cooperation Main Department**

headed by: László Kovács, main department head

his general deputy: Dr András Mészáros, deputy main department head

deputy main department head: Karoly Hoffmann, deputy main department head

**Soviet Department**

headed by: György Szilágyi, deputy main department head

**Socialist Multilateral (CMEA) Cooperation Department**

headed by: György Trebitsch, deputy main department head

**Socialist Bilateral Cooperation Department**

headed by: Mrs Karoly Zakar, PhD, department head

**Capitalist and Developing Countries Cooperation Department**

headed by: Dr László Karacsony, department head

**Summarizing Department**

headed by: Dr Sándor Percs, department head

**Enterprise Supervising Main Department**

headed by: Pál Zsednai, main department head

his general deputy is: Dr László Rieh, deputy main department head

**Enterprise Economic Operation Department**

headed by: Mrs Dezso Csurgay PhD, deputy main department head

**Manpower Department**

headed by: Dr István Wintache, deputy main department head

**Analytical Department**

headed by: Dr Zsigmond Kosztyai, deputy main department head

**Control Department**

headed by: József Szekszárdi, department head

**Organizational Department**

headed by: Zoltán Antal, department head

**Information Department**

headed by: Zoltán Márcsányi, department head

Dr Adam Juhasz, branch state secretary supervises:

- Industry Organization Department
  - headed by: Antal Hejj, main department head
  - his general deputy is: Erno Lelkes, deputy main department head
- Organizational and Civil Defense Department
  - headed by: Istvan Welle, deputy main department head
- Planning and Economics Department
  - headed by: Gyorgy Toboz, department head
- I. Engineering Department
  - headed by: Tamas Stacho, department head
- II. Engineering Department
  - headed by: Jozsef Bodl, department head
- Coordinating Department
  - headed by: Sandor Lukacs, department head
- Safety Department
  - headed by: Karoly Ako, department head

[Announcement No 201/1981 IpM: "Distribution of Enterprise Supervision within the Industrial Ministry"]

The minister has established the following system of enterprise supervision in the new ministry effective 1 January 1981, the date the Industrial Ministry was created:

Bela Labi state secretary supervises the following enterprises and organs:

- 7141 Organizational and Computer Technology Institute of the Metallurgical and Machinery Industry
  - Light Industrial Mechanical Data Processing Enterprise
  - Light Industry Organization Institute
  - NIM (Ministry of Heavy Industry) Institute of Industrial Economics and Plant Organization
  - Chemical Industrial Computer Technology Development Association
- 7142 Metallurgical and Machinery Industrial Scientific Center for Information and Industrial Economics

Organs funded by the budget:

- KGM [Ministry of Metallurgy and Machine Industry] Continuing Training and Methodological Institute
- Ministry of Light Industry's Methodological and Continuing Training Institute
- Central Service Improvement Research Institute
- NIM Technical Documentation and Translating Office
- NIM Technical Film Service
- NIM Continuing Training Center

Dr Adam Juhasz state secretary supervises these enterprises and other organs:

- 1411 Factory and Machinery Installation Enterprise
- 2111 Machine Industrial Construction Enterprise
  - Light Industrial Installation and Construction Enterprise
  - Enterprise for Building and Installing Chemical Facilities

2212 General Machinery Design Office  
 2212 Metallurgical and Machine Industrial Planning Enterprise  
 5212 CHEMTAS Chemical Machinery Designing and General Contracting Enterprise  
 INDUSTRIALEXPORT Enterprise for Exporting Industrial Products

Organ funded by the budget:

7142 Hungarian Office for Examining Manual Firearms

Dr Laszlo Kapolyi state secretary supervises these enterprises and organs:

1111 Mining Supply Enterprise  
     Borsod [Megye] Coal Mines  
     Dorog Coal Mines  
     GEOMINCO Geological and Mining Company [handles export of geological and mining know-how]  
     Central Mining Development Institute  
     Matraaljai Coal Mines  
     Mezőek Coal Mines  
     Nograd Coal Mines  
     Oronziány Coal Mines  
     Tatabányai Coal Mines  
     Veszprém Coal Mines  
     Coal Mining Coordination Center  
 1114 Petroleum and Natural Gas Mining Enterprise  
     Petroleum Research Enterprise  
     Geophysical Research Enterprise  
     Hungarian Hydrocarbon Industrial Research and Development Institute  
     Nagyalföld [Greater Lowlands] Petroleum and Natural Gas Producing Enterprise  
     National Petroleum and Gas Industrial Trust  
 1116 Mezőek Ore Mining Enterprise  
     National Ore and Mineral Mines  
     National Geological Research and Drilling Enterprise  
 1211 Ajka Thermal Power Plant Enterprise  
     Borsod Thermal Power Plant Enterprise  
     Budapest Electrical Works  
     Budapest Thermal Power Plant Enterprise  
     Déli-dunántúli [Southern Transdanubian] Electricity Supply Enterprise  
     Dél-magyarországi [Southern Hungarian] Electricity Supply Enterprise  
     Dunamenti [Danube Coastal] Thermal Power Plant Enterprise  
     Power Plant Repair and Maintenance Enterprise  
     Észak-dunántúli [Northern Transdanubian] Electricity Supply Enterprise  
     Észak-magyarországi [Northern Hungarian] Electricity Supply Enterprise  
     Gagarin Thermal Power Plant Enterprise  
     Hungarian Electrical Works Trust  
     "November 7" Thermal Power Plant Enterprise  
     Oronziány Thermal Power Plant Enterprise  
     National Electrical Long Distance Lines Enterprise  
     Paks Nuclear Power Plant Enterprise  
     Pécs Thermal Power Plant Enterprise  
     Tatabánya Thermal Power Plant Enterprise  
     Tisza Power Plant Enterprise



Trans-Tisza Electricity Supply Enterprise  
 Electrical Energy Industrial Research Institute  
 1411 Budapest Petroleum Industrial Machinery Factory  
 Trans-Danubian Petroleum Industrial Machinery Factory  
 1461 Lowlands Petroleum Industrial Machinery Factory  
 1611 Carbonic Acid Producing Enterprise  
 1612 Danubian Petroleum Industrial Enterprise  
     Komárom Petroleum Industrial Enterprise  
     Tisza Petroleum Industrial Enterprise  
     Zala Petroleum Industrial Enterprise  
 1613 Southern Lowlands Gas Supply Enterprise  
     Southern Transdanubian Gas Supply Enterprise  
     Northern Transdanubian Gas Supply Enterprise  
     Central Transdanubian Gas Supply Enterprise  
 1613 Trans-Tisza Gas Supply Enterprise  
 2111 Electrical Energy Industrial Repair and Construction Enterprise  
 2126 Mining Shaft Deepening Enterprise  
     Petroleum Pipeline Construction Enterprise  
 2131 "Prometheus" Heating Technology Enterprise  
 2212 Power Plant and [Electrical] Network Design Enterprise  
     Electric Power Plant Design and Installation Enterprise  
     Oil Industrial General Contracting and Design Enterprise  
 2231 Power Plant Investment Enterprise  
 4161 Gas and Oil Transportation Enterprise  
 5111 "AFOR" Mineral Oils Commercial Enterprise  
 5211 VEPEX General Contracting Office Company  
 7142 Energy Management Enterprise

Istvan Soltesz deputy minister supervises these enterprises and other organs:

1115 Bakony Bauxite Mines  
     Bauxite Research Enterprise  
     Fejér Megye Bauxite Mines  
 1311 Borsodnádand Panel Factory  
     "December 4" Wire Works  
     Danubian Iron Works  
     Metallurgical Raw Material Preparation Joint Enterprise  
     Metallurgical Machinery Construction Enterprise  
     Lenin Metallurgical Works  
     Hungarian Iron and Steel Industrial Association  
     Ozd Metallurgical Works  
     Heating Technology Research Institute  
     Foundry Enterprise  
     Alloy Factory  
     Salgotarján Metallurgical Plants  
     Iron Industrial Research Institute  
     Iron Works of the Csépel Works  
     Iron and Steel Foundry of the Csépel Works  
     Csépel Iron- and Metal Works  
 1312 Ajka Alumina Factory and Aluminum Foundry  
     Almasfuzite Alumina Factory

- Aluminum Industrial Commercial Enterprise
- Aluminum Industrial Design and Research Institute
- Aluminum Structure Factory
- Inota Aluminum Foundry
- Kobanya Light Metal Works
- Hungarian Aluminum Industry Trust
- Magyaróvár Alumina and Artificial Abrasives Factory
- Székesfehérvár Light Metal Works
- Tatabánya Aluminum Foundry
- 1313 Metal Works of the Csepel Works
- 1411 Aluminum Industrial Machinery Factory
- Egyed Machine Factory of the Csepel Works
- Machine Tool Factory of the Csepel Works
- Communication Technology Machinery Factory
- Balassagyarmat Metal Industrial Enterprise
- 1421 Vehicle- and Confection Industrial Machinery Factory of the Csepel Works
- 1431 Transformer Factory of the Csepel Works
- 1461 Hodmezovasarhely Metal Industrial Enterprise
- 1511 Magnesite Industrial Works
- 1811 Service Enterprise of the Csepel Works
- 2212 Design and Research Institute of the Csepel Works
- 5211 Pannonia Foreign Trade Enterprise of the Csepel Works

Andras Gabor deputy minister supervises these enterprises and organs:

- 1411 Size Reduction Machinery Factory
- "April 4" Machinery Industrial Works
- Budapest Chemical Industrial Machinery Factory
- Diosgyor Machinery Factory
- Machinery Industry Technology Institute
- Gabor Aron Machine Factory
- Drive Mechanisms and Painting Equipment Factory
- Light Industrial Machinery Manufacturing Enterprise
- Lang Machinery Factory
- Hungarian Rolling Bearing Works
- Agricultural and Food Industrial Machinery Manufacturing and Service Enterprises Trust
- Bekescsaba Agricultural Machinery Manufacturing and Service Enterprise
- Budapest Food Industrial Machinery Factory and Installation Enterprise
- Cserkut Agricultural and Food Industrial Machinery Manufacturing and Service Enterprise
- Debrecen Agricultural Machinery Manufacturing and Service Enterprise
- Győr Agricultural Machinery Manufacturing and Service Enterprise
- Hodmezovasarhely Agricultural Machinery manufacturing and Service Enterprise
- Kaposvár Agricultural Machinery Manufacturing and Service Enterprise
- Kécskemet Agricultural Machinery Manufacturing and Service Enterprise
- Agricultural Machinery Developing Institute
- Miskolc Agricultural Machinery Manufacturing and Service Enterprise
- Monor Agricultural and Food Industrial Machinery Manufacturing and Service Enterprise

Nyiregyhaza Agricultural Machinery Manufacturing and Service Enterprise  
 Szekszard Agricultural Machinery Manufacturing and Service Enterprise  
 Szolnok Agricultural Machinery Manufacturing and Service Enterprise  
 Veszprem Agricultural Machinery Manufacturing and Service Enterprise  
 National Mining Machinery Manufacturing Enterprise  
 Sopiana Machinery Factory  
 Ventillation Works  
 Machine Tool Programing Association  
 Machine Tool Industrial Works  
 1421 Automobile Industry Research Institute  
 Csepel Auto Works  
 Precision Assembly Factory  
 Ganz-MAVAG [Hungarian State Iron, Steel and Machine Factories]  
     Locomotive, Railroad Car and Machine Factory  
 IKARUS Body and Vehicle Factory  
 Small Motor and Machine Factory  
 Hungarian Ship and Crane Factory  
 Hungarian Railroad Car and Machine Factory  
 Pest District Machine Factory  
 1431 Battery and Dry Cell Factory  
 Automotive Electrical Equipment Factory  
 BAKONY Metal- and Electrical Equipment Works  
 United Electrical Machinery Factory  
 Ganz Electrical Works  
 Hajdusag Industrial Works  
 Refrigeration Machinery Factory  
 Industrial Instrument Factory  
 Electrical Industrial Research Institute  
 Hungarian Electronics Control Institute  
 1461 Aluminum Products Factory  
 Bonyhad Enamel Products Factory  
 Screw [Fastener] Industrial Enterprise  
 DANUVIA Central Tool and Equipment Factory  
 ELZETT Works  
 FEG Weapon and Gas Equipment Factory  
 Cutting Tool Industrial Enterprise  
 Industrial Equipment and Machinery Factory  
 Kecskemet Enamel and Bathtub Factory  
 Hand Tool Factory  
 LAMPART Chemical Industrial Machinery Factory  
 Hungarian Steel Goods Factory  
 Matra District Metal Works  
 Mechanical Works  
 Mononmagyarovar Metal Equipment Factory  
 Salgotarjan Stove Factory  
 Ujpest Machine Element Factory  
 1412 Machine Industrial Special Services and General Contracting Enterprise  
 5212 HUNICOOP Machine Industry Cooperative Foreign Trade Office  
 7142 Volcum-Hungary KFT [Limited Liability Company]

Istvan Littvai deputy minister supervises these enterprises and organs:

- 1431 KONTAKTA Parts Factory
  - Hungarian Cable Works
  - Electrical Apparatus and Equipment Works
- 1441 BHG [Beloianisz] Communication Technology Machine Factory
  - Budapest Radio Technology Factory
  - United Incandescent Lamp and Electrical Company
  - Electroacoustical Factory
  - Precision Mechanics Enterprise
  - Communication Technology Materials Factory
  - Communication Technology Industrial Research Institute
  - Communication Technology Enterprise
  - Hungarian Telecommunication Technology Association
  - Mechanical Laboratory Communication Technology Experimentation Enterprise
  - ORION Radio and Electrical Enterprise
  - REMIX Radio Technology Enterprise
  - VIDEOTON Electronics Enterprise
  - Telephone Factory
  - Telecommunication Research Institute
- 1442 Machine Industrial Electrical Maintenance Enterprise
- 1451 Electronic Measuring Equipment Factory
  - Gamma Works
  - Ganz Electric Meter Factory
  - Ganz Instrument Works
  - Office Machine Industrial and Precision Mechanics Enterprise
  - Optician Equipment Factory
  - Hungarian Instrument Industrial Association
  - Hungarian Optical Works
  - MEDICOR [Medical X-Ray Equipment Enterprise] Works
  - METRIPOND Scale Factory
  - MMG [Measuring Instruments Factory] Automation Works
  - Instrument Industrial Research Institute
  - Electrical Automation General Contractor and Manufacturing Enterprise
  - LABOR Instrument Industrial Works
- 1452 Office Machine Technology Enterprise
- 5211 BUDAVOX Communication Technology Foreign Trade Company
  - VIDEOTON Industrial Foreign Trade Company
  - EMOTRONIC [expansion unknown] KFT
- 7141 Hungarian Communication Technology Association Computer Technology and Organization Center

Istvan Kortvelyes supervises these enterprises and organs:

- 1611 Bersod Chemical Combine
  - Budapest Chemical Works
  - United Chemical Works
  - Northern Hungarian Chemical Works
  - FORTE Photochemical Industry
  - Hungarian Mineral Oil and Natural Gas Research Institute
  - Hungarian Chemical Industry Association
  - Hungarian Viscosa Factory

- Plastic Industry Research Institute
- Charcoal Producing Enterprise
- Heavy Chemical Industry Research Institute
- Nikrochemical [sic-Nitrochemical ?] Industry Plants
- Oxygen and Dioxious [sic-??] Gas Factory Enterprise
- Peremarton Chemical Industrial Enterprise
- Pet Nitrogen Works
- Organic Chemical Industry Research Institute
- Tisza Chemical Combine
- Tisza Coastal Chemical Works
- 1615 Alkaloida Chemicals Factory
- "Biogal" Pharmaceuticals Factory
- "Chinoin" Pharmaceuticals and Chemical Products Factory Company
- EGAL [expansion unknown] Chemical Industrial Joint Enterprise
- EGYT [United Pharmaceutical and Nutrient Factory] Pharmaceutical Chemicals Factory
- Medicinal Herbs Research Institute
- Pharmaceutical Industry Supply and Service Enterprise
- Pharmaceutical Research Institute
- Kobanya Pharmaceutical Products Factory
- LATI [expansion unknown] Joint Enterprise
- Hungarian Pharmaceutical Industry Association
- "Reanal" Specialty Pharmaceuticals Factory
- 1616 BUDALAKK Paint and Synthetic Resin Factory
- 1617 Cosmetics and Household Chemicals Enterprise
- 1618 TAURUS Rubber Industry Enterprise
- 1619 "Hungaria" Plastics Processing Enterprise
- Electrical Insulator and Synthetic Materials Factory
- 2212 VEGYTERV [Chemical Industry Design Bureau] Chemical Works Design Enterprise

Dr Imre Szabo, deputy minister supervises these enterprises and organs:

- 1713 Agria Furniture Factory
- Balaton Furniture Factory
- Bacska Furniture Industrial Enterprise
- Budapest Furniture Industrial Enterprise
- Furniture Industrial Development Institute
- Cardo Furniture Factory
- First Furniture Industrial Association
- School Furniture and Sporting Goods Factory
- Kanizsa [Nagykanizsa] Furniture Factory
- Szatmar Furniture Factory
- Chair and Upholstery Industrial Enterprise
- Szekefehevar Furniture Factory
- Tisza Furniture Industrial Enterprise
- Zala Furniture Factory
- 1721 Paper Industrial Enterprise
- 1731 Lowlands Press Enterprise
- Athenaeum Press
- State Press
- Budacolor Paint Factory



University Press  
 Franklin Press  
 Globus Press  
 Kner Press  
 Komnuth Press  
 Press Industry Association  
 Offset- and Playing Card Press  
 Patria Press  
 Petofi Press  
 Rakoczi Press  
 Reval Press  
 Szeged Press  
 Zrinyi Press

- 1741 Yarn Finishing Factory  
 Graboplast Cotton Weaving and Synthetic Leather Factory, Gyor  
 Kispest Textile Factory  
 Kobanya Textile Works  
 Cotton Spinning Industry Enterprise  
 Cotton Printing Industry Enterprise  
 Cotton Textile Works  
 Papa Textile Factory  
 RABATEX Textile Industry Enterprise, Gyor  
 Textile Industry Research Institute  
 1743 Hemp-Jute and Polytextiles Enterprise  
 Hemp Spinning and Weaving Industry Enterprise  
 Flax Spinning and Weaving Industry Enterprise  
 1744 Fine Broadcloth Enterprise  
 Domestic Combed Spinner and Weave Factory  
 Home Textiles Enterprise  
 Hungarian Wool Spinning and Weaving Factory  
 Hungarian Broadcloth Factory  
 Richards Fine Broadcloth Factory  
 Sopron Rug Factory  
 Ujpest Wool Weaving Factory  
 1745 Hungarian Silk Industry Enterprise  
 1746 Albertfalva Yarn Twisting Factory  
 GARDENIA Lace Curtain Factory  
 Lorinc [Pestszentlorinc] Ribbon Weave and Lace Factory  
 Trimmings Factory  
 RICO Knitting Goods Works  
 Haberdashery Industry Association  
 Ribbon and String Factory  
 1747 Bekescsaba Knit Goods Factory  
 Budapest Fine Knit Goods Factory  
 Budapest Hosiery Factory  
 Gyor Knit Glove Factory  
 Silk Lace Knit Goods Factory  
 Hidas Knit Goods Factory  
 Hedmezoasarhely Style Knit Goods Factory

- Magyaróvár Knit Goods Factory  
 Vác Knit Goods Factory
- 1751 Leather-Synthetic Leather and Shoe Industry Research Institute  
 Budapest Leather Industry Enterprise  
 Glove Factory  
 PANNONIA Fur Processing and Fur Confection Enterprise  
 Pécs Leather Factory  
 Rakospalota Leather and Synthetic Material Processing Enterprise  
 Simontornya Leather Factory
- 1752 Lowlands Shoe Factory  
 Bonyhád Shoe Factory  
 Leather and Shoe Industry Association  
 Danubian Shoe Factory  
 Quality Shoe Factory  
 SABARIA Shoe Factory  
 Szabolcs Shoe Factory  
 Szigetvár Shoe Factory  
 Tisza Shoe Factory
- 1761 Debrecen Garments Factory  
 FEKON [expansion unknown] Garment Enterprise  
 Hat Factory  
 Kaposvár Garment Factory  
 Hungarian Style Institute  
 "May 1" Garment Factory  
 PAVA Garment Factory  
 Salgotarján Garment Factory  
 Sopron Garment Factory  
 STYL Garments Enterprise  
 Szeged Garment Factory  
 "Red October" Mens Clothing Factory  
 Zalaegerszeg Garment Factory
- 2212 Light Industry Design Enterprise
- 5211 BIVIMPEX [expansion unknown] Leather Factories Joint Trade Enterprise

Organs funded by the budget:

Wood, Paper and Press Industry Quality Control Institute  
 Textile Industry Quality Control Institute

#### Organizational Changes at Enterprises

Budapest IPARI KOZLONY in Hungarian No 1, 20 Jan 81 pp 9-10

[Announcement No 202/1981 I.M]

[Text] As per the KGM [Ministry of Metallurgy and Machine Industry] resolution No 1j-1465/1980, the Csepel Works Telecommunication Technology Machinery Factory is separated from the framework of the Csepel Iron and Metal Works as of 1 January 1981. It will continue its operation under the name of Telecommunication Technology Machinery Factory.

The enterprise's new sphere of activity is to produce:

- single purpose processing and cutting machine tools and machinery lines,
- processing machinery operating on special principles,
- material removing machine tools,
- vehicle maintenance and upkeep equipment,
- measuring instruments for diesel and gasoline engines to measure physical and chemical characteristics (parameters),
- iron-based [ferrous] alloys.

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As per KGB resolution No. 13-1445/1980, the Sopiana Machine Factory of the United Incandescent Lamp and Electrical Co is separated from the organization of the United Incandescent Lamp and Electrical Co as of 1 January 1981. It will continue its operation as an independent enterprise.

The new enterprise's name is: Sopiana Machinery Factory

Its sphere of activity is to manufacture and supply as general contractor:

- packaging machinery,
- material handling equipment needed to serve the packaging machinery,
- fixed industrial machinery and equipment,
- various subassemblies and spare parts for the background industry (for example, special small drive mechanisms, small suction pumps, etc),

and, further, to manufacture:

- various cooperative products for the machinery industry;

and, further, to repair, install and service:

- fixed industry machinery.

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As per KGB resolution No. 13-1518/1980, the Qualital Light Metal Foundry of the Turcup Works became part of the METALLOGLOBUS Metal Industrial and Production Equipment Trade Enterprise.

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As per KGB resolution No. 13-1288/1980 the sphere of activity of the ELZETT Works has been modified:

The enterprise's new sphere of activity is to produce:

- metal structures,
- fixed tools,
- metal hinges, locks, padlocks,
- portable fire extinguishers,
- industrial products made of wire,
- metal packaging equipment.

- household and other bulk metal items made for public use (made of metal and metal-synthetic material combinations),
- plastic products and parts for public consumption,
- writing instruments and drawing equipment,
- toys,
- charge powders for fire extinguishers,
- machinery, equipment and tools for the production of zippers,
- miscellaneous other specialty products;

to repair and recharge:

- fire extinguishing equipment of its own manufacture,

and further:

- to sell its products through top quality retail shops.

As per KGM resolution No 1j-1471-1980 the sphere of activity of the Ganz Electrical Works has been modified.

The enterprise's new sphere of activity is the production, on-site installation, overhaul, repair and maintenance of:

- pulling (locomotive) and self-propelled vehicles for the railroad,
- rotary electrical motors,
- transformers,
- low and high voltage electrical equipment,
- high-amperage rectifiers (elements and equipment),
- cable assemblies and electrical repair items,
- control and regulatory equipment,
- pumps,
- component parts for boiler- and thermal power plant and thermal technology equipment;

to produce:

- semifinished synthetic material products;
- to produce electrical equipment for lifting and transport machinery (under item group numbers 32-73-10);

and further, the on-site installation, overhaul, repair and maintenance of:

- the products, equipment and accessories belonging within the sphere of its primary activity;
- perform research, development and design work;

also to supply, as general contractors:

- complete railroad safety equipment,
- complete electrical machinery lines;

and further, the complete design, production and supply, as general contractors, of:

- high current [high amperage] energy supply systems (generating, distribution equipment and networks, etc).

8584

CSO: 2500/279

## NYERS DISCUSSES POVERTY, REFORM

Budapest MAGYAR HIRLAP in Hungarian 17 May 61 p 9

[Speech by Rezső Nyers: "Economic Policy and Social Considerations"]

[Text] Given in Budapest at the April 1961 Conference of the Hungarian Sociology Association, which was organized for the multifaceted discussion of the topic of disadvantaged social groups.

Our economic policy--just as our cultural policy--serves the interest and progress of all of the people. It is for this reason, and not as an end in itself, that we transformed our production relations into the socialist system, that we are striving to make our economic mechanism more sensible and that we are struggling to improve society's political and cultural structure.

We have made great progress in the socialist transformation of the production relations--including also (wage) distribution and exchange. Although the classification of quite a few phenomena and concepts is still desirable, historically new conditions have taken root and are securely controlling Hungarian economic life. This is a tremendous accomplishment. But it remains a fact that production relations based on socialist principles is not enough in itself to resolve the efficiency problem of the socialist national economy. In fact, if they arise only from theoretical formulas or become rigid for a long time, they can even be a detriment. It is a great accomplishment that through socialist development class inequalities have ceased to exist, and are no longer characteristic of our society. But it is also a fact that through the shaping of production relations alone we are incapable of preventing the development of disadvantageous situations for significant non-homogenous social groups. The influence of economic policy can extend to society as a whole and to large homogenous groups. The resolution of problems beyond this is certainly the province of social welfare policy.

The efficiency problem and disadvantageous social status are two independent phenomena, but are still related to each other. If production efficiency is insufficient, the economic well being of the people grows more slowly than their needs, and the smaller the possibility is for counterbalancing of social disadvantages. If, however, there is no improvement in the conditions of the people in the disadvantaged situation, the rate of efficiency improvement is held back, since human factors play a determinant role in labor improvement.



My first economic policy conclusion is that in the interest of efficiency it is necessary to develop the concrete forms of production relations, that is, the economic mechanism, as a condition of general welfare. Along with this we have to expand concurrently both social welfare policies in the broader sense and public responsibility to counterbalance disadvantaged circumstances with the achievement of public welfare.

The development of our [income] distribution is basically acceptable as far as our social principles are concerned. On the social scale, income derived from [private] ownership has decreased to the minimum, representing a magnitude of 1 percent of the population's total income, while income for labor and social benefits together comprise 9 percent. Since the beginning of the 1960's, our standard of living policy, through its own structure, has endeavored to encourage work and at the same time increase social services as a result. This dual goal could only be implemented by increasing the total of social benefits more rapidly than labor income, because 20 years ago social benefits were relatively underdeveloped. Our distribution system gave greatest possible preference to social services so that by the second half of the 1970's already 80 percent of the real income increases were social benefits.

Thus the disadvantageous situations are not derived from faults in the main distribution ratios. However, we also cannot say that the amount of current social benefits would be sufficient to compensate for disadvantageous circumstances if the benefits were better distributed. In reality, both income from work and from social benefits are lagging behind actual needs, so neither can be increased at the expense of the other. The current development difficulties of our national economy--among these, the limiting effects of the foreign markets--pretty much restrict the improvement of our living conditions [standard of living]. It also hinders us from improving the distribution ratios between the total value of labor income and social benefits.

My second conclusion is that we cannot consider increasing the proportion of social benefits at the expense of labor income as the chief means for improving disadvantaged social status. Social benefits will still continue to increase somewhat faster, but not enough to improve the situation significantly. Ultimately the chief means is none other than to increase the social income surplus derived from improving production efficiency. In other words, the goals of efficiency and social policy are ultimately intertwined. Thus we can say that currently we are "prisoners" of our efficiency problem, not only as far as our economy but also as far as our society as a whole is concerned. In the future, however, we must become more and more "masters" of the efficiency problem.

The question is, should the current economic mechanism be held responsible for the reproduction of low incomes and the fact that culturally disadvantaged situations are not declining more rapidly? There are some who draw conclusions like this from the fact that the problem of people with disadvantaged social circumstances did not arise as prominently or as seriously under the old directive economic management as today.

In reality, however, we were then not fully able of recognizing social stratification, our social criticism was less developed and a multitude of other problems engaged our attention away from social problems of this sort. While it is true that the prices then were more stable and the prices of consumer goods were relatively lower, wages were even lower. There were many uncertainties in the merchandise supply and social services were much fewer than today. To conclude: Social problems are not traceable to the reform of the economic regulatory system. Without a doubt, the problems would be much greater without it.

Our current economic policy undoubtedly carries within it the contradiction of efficiency and egalitarian goals, in that incomes are differentiated according to training and performance, whereas human needs do not vary to such a degree. We cannot be freed from this contradiction throughout the whole socialist era, since the principle of distribution according to labor contains within it the inequalities related to labor. It is very important to distinguish, however, inequalities deriving from wages and income inequalities and those arising independently of wages.

Most economic policy makers see the chief problem not as much in narrowing the wage scale between the upper and lower ten percent, but rather in the excessive leveling within the same professions and lines of work, in the separation of wages from actual performance and responsibility. Thus, the standard in our activities is to discover the means of better interrelating wages and performance.

Income differences are greater than wage differences, and to a significant extent are independent of wage differences. The greatest discrepancy is caused by the differences [in the number of] family dependents differences of wage earners. In addition, there are significant numbers of those with low pensions deriving from the previous order. Wage differences are only the next in line among the causes, followed by income differences derived from secondary employment. It is revealing that among active wage earner households, the per capita income difference was derived from wage differences in only 12 percent of the cases, while in 88 percent it was due to other factors. This convincingly illustrates that the resolution of the low per capita income problem, or at least its significant improvement is not to be sought through the equalization of wages, but through decreasing the income differences which are independent of wages.

My third conclusion is that at places of employment it is sensible to strive for wage differentiation, in harmony with performance and responsibility. At the same time, the family income equalizing role of social benefits must be increased along with increasing the net social income. These two endeavors do not oppose but supplement each other. When in the future we can achieve the differentiation of family incomes by wage differences only, then the income inequalities will be less and, at any rate, will be more justified than they are today. In this process, primary importance must be placed on increasing family supplements, on adjusting the low pensions derived from earlier times and on making apartment construction and management more efficient.

Economic policy cannot directly and effectively intervene in the problem of accumulating disadvantages, including poverty. It does not have an appropriate means for this purpose. It does have certain potentialities through the development of enterprise social policy and cultural funds, and by including the trade unions into enterprise decisionmaking and even by taking the recommendations of economic democracy into consideration and ensuring greater range for it. Indirectly, however, it can and should do much, such as: effective central income regulation, price level regulation, assistance in improving the housing situation, the improving of public health, social and cultural services with state funds and encourage the favorable aspects of the "secondary economy" and suppress its unfavorable aspects.

Social policy is the chief instrument of direct state intervention to improve the situation. Its basic institutions for this are already in existence and are functioning. However, I believe that in many cases they are operating in isolation from each other, unfortunately with undeveloped means and methods and occasionally with bureaucratic detachment from the "mainstream of life". For this reason, they are not appropriately prepared to recognize the cumulative disadvantages and to seriously improve the situation of the people affected by them. It is evident that the determining factor for improving social policy is additional monetary resources. However, I also believe that a fundamental reform of the institution system is also necessary to improve the situation of those multifariously affected.

My fourth conclusion is that science, economic, cultural and social policies must deal more deliberately with the problems of the cumulative disadvantaged. A more comprehensive perspective into the typical cases of cumulative disadvantages must be achieved by studying social stratification. National economic planning and state budgeting must assure that monetary resources are increased as much as possible. The ministries and councils involved must also develop a more coordinated comprehensive social policy practice.

The question arises, what role can social-communal action which is outside of state policy play in resolving social problems? I believe that the individual actions of various collectives are important factors as well as the cooperation of the extended and immediate family.

Charitable social actions, however, can only present occasional or temporary solutions and cannot replace the role of state and social institutions. But if they arise from good motives, they deserve recognition. The principles and practice of social solidarity, as well as closer class and the worker solidarities are closely intertwined with socialism. Such actions, however, would appear to be offensive in the case that some would use the occasion to surreptitiously express their differing opinion against our party's general political direction. It would be an unjust procedure to use such a serious matter as a mere pretext.

Sociological research has important tasks in disclosing the interrelationships of economic policy, and in the broad sense, of social policy as it is adapted to our circumstances today. Under the circumstances of slow economic growth the adjustment of wages to performance and the possibilities for gradual equalization of family incomes must be investigated. We also need to investigate the possibilities of resolving the housing problem, the roles of work incentives and social benefits to ameliorate disadvantaged circumstances, the concepts of developing a comprehensive social policy and the possibilities of more coordination within the institutional system.

LEGAL ASPECTS OF ECONOMIC REFORM DISCUSSED

Budapest NEPEZARADSAG in Hungarian 13 Jun 81 p 3

[Article by Ferenc Petrik, deputy minister of justice: "Decision-Making and Accountability"]

[Text] In recent years, in conjunction with the economy's development, we have been rethinking repeatedly what must be done to further expand enterprise independence. And the concept of independence is necessarily associated with the enterprises' accountability for their independent activity. When speaking of enterprises today, we most often associate the following three concepts: independence, risk, and accountability. But there are growing signs that our system of accountability is not functioning properly in the economy. And this is detrimental not only to the public interest, but also because of the shortcomings of sound management. What do the court statistics show? The number of economic lawsuits filed with the courts is declining. The magye courts heard 12,000 cases in 1980, 16 percent fewer than in 1979. Merely 27 suits were filed in 1980 for the imposition of economic penalties, as compared with 65 lawsuits in 1975. And the violations were not very significant, as evident from the penalties imposed (a total of 31 million forints).

The statistics on criminal cases show a similar pattern. In 1980, our criminal courts passed final sentences on 12 persons for violations of financial discipline in conjunction with investments, on one person for marketing a product of unsuitable quality, on 29 persons for profiteering misdemeanors, and on six persons for profiteering felonies. No one was tried for breach of economic duty. These statistics in themselves could be reassuring if they were not in conflict with the facts of business life. The contradiction between the existence of certain unfavorable, negative phenomena in the economy on the one hand, and the few causes brought to account on the other, warns us that in many instances our system of accountability does not deter conduct detrimental to the interests of the economy, and does not provide adequate incentives for the realization of our economic-policy objectives.

These phenomena have not escaped the attention of our public opinion. However, public opinion does not perceive these phenomena as a problem of our system of accountability, rather it thinks along these lines: "If a person



steals 100 forints' worth of goods from the factory, he is convicted. But if someone causes losses amounting to millions, or squanders billions, nobody brings him to account." Several unsuccessful investments, delayed construction projects, the marketing of inferior products, and unlawfully set prices are the underlying causes of such bitter complaints. We know very well that the economic organizations' situation today is a difficult one. But we must nevertheless strive to perfect and refine our system of decision-making and accountability.

#### Clearer Definition of Functions

We believe that the shortcomings in enforcing accountability for economic decisions are related to the shortcomings that exist in our decision-making practice, to the fact that it is not always possible to determine who is responsible for a wrong decision, or for failure to make a decision. Determination of responsibility is often hampered also by the fact that in decision-making the roles of the managing organs and of the enterprises are not separate. We have not yet been able to achieve the economic-policy objective of delineating more clearly the functions of the economic managing organs--of the ministries in particular--and the functions of the economic organizations. The picture in this respect is conflicting. The statutory provisions have set exceptionally narrow limits within which the ministries are able to intervene directly in the affairs of the enterprises. For various reasons, however, the economic managing organs have developed --partially outside the legal system--the channels through which they are able to convey to the enterprises their demands and directives, and thereby to significantly influence the enterprises' decisions, even though actually the demands and directives are not legally binding. And if subsequently the decision does not produce the desired result or proves to be the wrong decision, then it is difficult to determine who is responsible. The ministry may refuse to accept responsibility because it was not the ministry who made the decision; and the enterprise may justifiably refer to the fact that its decision was influenced by the managing organ's opinion. When we object to this, we do not wish to say that the top managing organs should be deprived of an opportunity to develop suitable conditions of control when necessary; the point is merely that if someone intervenes in a certain decision-making process--for example, through "directives"--he must assume the legally defined accountability for this.

In the course of further modernizing our system of economic management, therefore, it will be necessary to curb "informal" management of the economic organizations; and where such management cannot be curbed, it must be institutionalized and regulated. We must enforce the fundamental requirement of legality that the managing organs may intervene in the enterprises' activity only in the instances and in the manner prescribed in statutory provisions, and that the assumption of decision-making authority must be accompanied by the assumption of accountability as well.



## Legal Responsibility

The inadequate functioning of our system of accountability is noticeable mostly in areas where the enterprise does not violate any specific regulation, but there is a complaint of a general nature regarding the enterprise's entire activity; for example, the enterprise produces unsalable goods, its production costs are excessively high, it undertakes uneconomic investments, etc. In such cases the enterprise violates "merely" its obligation to operate efficiently and profitably. Here the loss incurred by the economy is not related directly to a violation of some specific statutory provision. This creates a contradictory situation, the more so because the violation of a specific obligation usually causes less harm than when the operation of the enterprise is generally bad. But we have not yet formulated the system of legal requirements which agree with the economic principle that profitability is the yardstick for measuring the performance of an enterprise. It is unquestionably difficult to enact this principle into law, but no one can doubt that the most fundamental legal obligation of an enterprise is to manage the most efficiently the assets entrusted to it. We must find the legal form to prescribe the economic criteria of efficiency as a legal obligation for which one can be held accountable, and not as a general requirement. For example, such a legal form could be the conclusion of a long-term contract between the state and the enterprise, a contract that spells out the enterprise's strategic goals, and the rights and obligations of both parties.

The regulation of the sanctions that can be employed in business relations is generally satisfactory. However, the inadequate functioning of our system of accountability warns us that some statutory provisions must be modernized. For example, the provisions concerning economic penalties. An economic penalty is a sanction that causes severe financial loss and simultaneously expresses moral reprobation. But it is common knowledge that this form of accountability functions very clumsily, for several reasons. The economic managing organs should be the ones to institute the application of sanctions, but they very rarely exercise this right. In most cases their reluctance stems from the fact that there is a certain "community of interests" between the managing organs and the enterprises, often because they jointly adopted the protested measure. And there is also the fact that our system of control is not functioning effectively enough. Another reason--it applies not only to penalties, but to any sanction that represents a financial loss for the enterprise, thus also to the restitution of damages--is that a financial sanction is effective only if the enterprise is--as they say--cost-sensitive. The managing organs also will be affected by the knowledge that they will have to bail out the cash-strapped enterprise, by making additional resources available. For these reasons the economic penalty is still more an expression of moral reprobation. We can increase its effectiveness only if we make the imposition of the economic penalty mandatory when enterprise managers are found to be negligent in the performance of their duties.

## Personal Accountability

One of our important tasks is to draft statutory provisions that ban unfair business practices and enforce this ban. The enactment of such statutory provisions is made necessary also by the fact that we have assumed an international obligation to provide protection from unfair competition. Besides protecting competitors, however, the statutory provisions must place greater emphasis also on protecting the consumers, the purchasers, including also defenseless enterprises. These statutory provisions must define the limit beyond which the profit-oriented enterprise's behavior violates the public interest and becomes illegal. As the enterprises' profit incentive and entrepreneurship are strengthened, such regulation will increase in significance because conflicts between our set of ethical values and the economic requirements will foreseeably be more frequent. The law must play a role in the prevention of such conflicts, and in the resolution of the conflicts that do arise.

Labor law, with its suitably differentiated instruments, provides an important legal means for enforcing personal accountability. In recent years we have tightened considerably the regulations governing the restitution of losses caused by negligence. But new regulations are necessary in relation to enterprise managers; this does not preclude, but actually presupposes, compliance with the cadre requirements for economic managers at the time of their appointment. Accountability for their work should be based primarily on whether or not the enterprise has been successful in meeting its economic objectives over a longer period of time. If a manager does not do everything for the successful operation of the enterprise or institution that he heads, or at least everything that can be expected of him under the given conditions, then the trust placed in him must be revoked, on the basis of an evaluation of his performance over a longer period of time. If on balance this evaluation is favorable, the manager's appointment should be renewed. I wish to emphasize that the legally definable requirements and the manager's accountability for them must not be confused with the necessary political requirements; these two sets of requirements will not become interchangeable even in the future. It would be expedient to entrust evaluation to a committee in which also the enterprise collective is represented, in addition to the economic organs.

## Role of Law Must Not Be Overestimated

Accountability for assumed obligations must be tightened also in the enterprises' contractual relations. The economic regulators' effect has fundamentally not altered these relations as yet: the market remains a seller's market as before, the investment contractors' dominance has weakened only slightly, the contractors are concluding contracts with long delivery dates, and these delivery date usually are exceeded. Although only a change of the economic environment can improve this situation--this trend is already evident--a change of the statutory provisions is also necessary:

the legal situation of the customers and purchasers must be strengthened further, the legal consequences of faulty and late performance must be tightened in some areas, the methods of effective market supervision must be developed, and the activity of the Hungarian Chamber of Commerce in arbitrating and preventing contractual disputes must be broadened.

Criminal-law sanctions are the most serious and exceptional within the system of legal accountability. This applies particularly to the present legal accountability for the operation of an enterprise. I wish to note that public opinion differs somewhat from this consideration of legal policy. Even today the public regards criminal law as the means of real accountability, and stricter penalties as stricter accountability. The new Criminal Code provides sanctions only for the offenses that pose the greatest threat to the economy. The objective was to ensure that the institution of criminal proceedings would not depend on random discretion, but would be mandatory for criminal behavior defined as such by law. This is not yet the case. The authorities that in the course of their supervision uncover conduct that is defined as a criminal offense by law usually do not institute criminal proceedings. The attitude that wishes to employ criminal law merely as a threat must be changed. If the public believes that a provision is never applied in practice, such a provision can no longer serve to prevent or to deter. The practice that in principle demands the existence of criminal sanctions, but at the same time blocks their specific application, undermines the credibility of the regulations and makes them ineffective.

However, we must clearly recognize the limitations of the law and must avoid overestimating its role. Today we are using mostly economic instruments to manage the economy. Legal sanctions are no substitute for the stimulation provided by the economic environment. If an enterprise finds that the state repeatedly absorbs the losses of irresponsible management, legal accountability will be useless. Thus the action mechanism of the economic regulators and legal means can be reinforced only jointly.

1014

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**COSTLY CONSTRUCTION OF KATOWICE STEEL PLANT DEFENDED**

Katowice TRYBUNA ROBOTNICZA in Polish 24-26 Apr 81 p 1, 4

[Article by Janusz Myslek, metallurgist working at the Department of the Chief Technologist, Katowice Steel Plant: "I Defend the Katowice Steel Plant"]

[Text] A climate of disapproval has risen around the Katowice Iron and Steel Plant. A frequently voiced reproach is that this investment is responsible for Poland's entire indebtedness and for the setback to the nation's economy. The plant is presented as the symbol of our economic disaster. Hence, the truth about the Katowice Plant must be stated.

In the late 1960s the Katowice Province PZPR Committee came forward with the-- moreover extremely justified--initiative for modernizing the old metallurgical industry. The idea was to improve working conditions in that industry and to increase steel output to the level of the industrialized countries, that is, to a per capita annual steel consumption index of 600-1,000 kg. In Poland in 1970 that index was 360 kg per capita. With our rich mineral resources, especially those of coal, lime and dolomite, it appeared feasible to attain a steel output of 600-700 kg per capita, or altogether 22.3-26.0 million tons in 1990. This then was the goal set to the Biprohut Metallurgical Design Institute, which had drafted a proposal for developing the metallurgical industry in 1970 even before the Katowice Steel Plant was conceived.

Thus the designers perceived the possibility of attaining this goal without having to build a gigantic new plant. One can only guess why that program was not approved. First, it was too expensive and uneconomical. Iron and steel plants, such as Pokoj, Kosciuszko, Labedy and Dzierzynski, did not achieve correspondingly large increases in output in proportion to the proposed investment outlays, because they had to earmark substantial funds for the renovation of neglected power services. Moreover, that proposal provided for the shutdown of certain iron and steel plants.

Secondly, that program reduced the significance--and perhaps even abolished the priority--of the Katowice region as a center of metallurgical production. It provided for promoting the development of that industry chiefly in other regions such as Krakow, Czestochowa, Kielce, and Warsaw. Such a change was certainly



contrary to the ambitions of the then Katowice Province PZPR Committee, and not only of the party authorities. But then allowance also had to be made for the fact of the existence of various metallurgical institutions in the Katowice region.

Under the pressure of authoritative opinions by experts, the Biprohut drafted in May 1972 a new plan for developing the metallurgical industry, this time providing for the construction of a new iron and steel plant--then still called the Centrum Plant. The proposal for building and siting that plant was solidly drafted and strongly justified. The basic point was that Silesia and the Basin would be "depolluted" by making it possible to shut down blast furnaces and steel mills in the older plants, since the Centrum Plant--and this accounts for its original name--was to provide the rolling mills of the older plants with rough-rolled products (blooms and billets) for processing into finished rolled sections. This would greatly facilitate the modernization of the older iron and steel plants and factually make it possible to reduce environmental pollution by assuring the shutdown of the departments in older plants that were especially harmful to the environment.

The social aspect was also a major factor, since the integration of the Silesian and Basin communities was the slogan used. This part of the motivation influenced renaming the new plant the Katowice Iron and Steel Plant. The siting was influenced by the fact that the area selected was on barren, sandy, arid soils.

Did the contemporary discussion of the construction of the Katowice Steel Plant include arguments against its proposed siting? Did the numerous expert opinions on this project include any such arguments? Yes, they did. The principal argument was that the site lay on the so-called "watershed line," which would mean an energy-intensive transport of water to the Katowice Plant, costing several times as much as the average. Another argument offered was the warning of the possible destruction of a part of the Krakow-Wielunska Jura, a natural phenomenon on the European scale.

Regardless of the doubts expressed about the siting of the Katowice Steel Plant, however, the expediency of building that plant itself was not at all questioned. Everyone at the time recognized the need for that project.

Compared with the original project for its construction, subsequent plans provided for building a Katowice Steel Plant that would be enlarged with a large- and a medium-rolling mills. The construction of these two final-rolling mills, that would ultimately produce 2 million tons of rails and rolled shapes, was a self-evident necessity not subject to discussion.

To complete this introduction to the actual circumstances regarding the Katowice Steel Plant, the cost of that first stage of its construction should be mentioned, since this is a controversial topic which is prompting endless and emotional discussions. The construction of the Katowice Steel Plant itself in its present form, that is, the so-called "basic tasks," cost 115.9 billion zlotys, of which the construction operations themselves accounted for 41.7 billion zlotys.



The entire infrastructure associated with the construction of the Katowice Plant cost 12.2 billion zlotys. Altogether, the total expenses of the State Treasury for the construction of the first stage of the Katowice Steel Plant amount to 132.4 billion zlotys, of which 48.7 billion zlotys was for construction and installation operations. This amount also includes hard-currency outlays:

--facilities costing 473 million foreign-exchange zlotys or about \$108 million were purchased in the USSR;

--facilities costing 140 million foreign-exchange zlotys or about \$32 million were purchased in other socialist countries;

--in the II payments area (dollar zone) the procurements totaled 914.6 million foreign-exchange zlotys, which corresponds to \$305 million.

Altogether, the hard-currency outlays amounted to \$445 million. The sum of 132.4 billion zlotys is tremendous, accounting for about 9 percent of Poland's annual national income. But even such a huge sum was spent over the years 1973-1977 (the expenditures during 1978-1980 were relatively small), or in the course of 5 years (and perhaps there still remain some still unpaid debts in this connection), so that, in per annum terms, it accounted for 1.4 percent of the state budget. Comments are unnecessary. The construction of the Katowice Steel Plant could not tangibly shake the foundations of the nation's economy and hence the causes of the economic setback should be sought elsewhere, chiefly in the fact that whereas in 1970 the share of investments in the state budget had been about 22 percent and even then was sharply criticized as the highest yet in the history of People's Poland, 5 years later it reached the catastrophic level of 32 percent, contrary to all reason and economic laws.

We are here, however, solely concerned with the amount of 115.9 billion zlotys spent exclusively on the Katowice Steel Plant itself. This amount consists of 74.2 billion zlotys of building materials and elements, and machinery and equipment, i.e., material cost, plus 41.7 billion zlotys of construction, installation, and transportation operations. Was the expenditure of these funds rational, and, if not, to what extent?

According to Eng Jerzy Gwiazdzinski of the Economic Planning Commission, when in 1971 the government decided to build the Katowice Plant, it had allocated 25 billion zlotys for that purpose. It is hard to assess this now, considering that at the moment when the public was informed of that decision, that is, in 1971, an outlay of only 45 billion zlotys was mentioned, whereas a year later the need to also build rail and heavy-shape rolling mills with a production capacity of 2 million tons began to be mentioned. Subsequently (owing to the need to rationalize the production program) one large and one medium rolling mill, costing altogether 33.2 billion zlotys began to be mentioned.

In such a situation there is no sense in relating the actual expenditures to the illusory and imprecise originally calculated outlays of 25 billion zlotys, because as early as 1972 and at the latest in 1973 it was known that the construction cost would exceed 70 billion zlotys.

These days it is extremely difficult to assess the expediency of the actual outlays specified above, if only because during the construction the prices of building materials and of industrial goods in general have changed quite significantly. Moreover, no one today can estimate the extent of rise in construction costs due to the directive-imposed 4-year cycle of construction of that project. Such record-breaking costs a lot.

Some orientation can be provided by comparing these outlays with the gross fixed assets of the Katowice Steel Plant, which at the end of 1980 amounted to 78,367,000,000 zlotys. It should be considered, however, that certain categories of outlays such as, e.g., the cost of foundation-laying work, are not included in fixed assets. It can be hazarded that on the whole these outlays are about 2 percent too high. Of course, this should be regarded as only a gross estimate, but it can be regarded as having at least the same validity as the assertion of certain parties to the discussion that the modernization of the old iron and steel plants would be only one-third as expensive in comparison.

As we now have a modern iron and steel plant which in 1980 produced for the national economy... a loss of 11.6 billion zlotys. Should not this fact be regarded as unique? If viewed on the world scale, the answer is certainly yes, because nowhere else in the world production would be modernized in such a way that, notwithstanding the huge investment outlays borne, the end result would be such enormous losses. But so far as this country is concerned, the answer is no, because here there exist so many other instances showing that the more modern a plant is the more it operates in the red.

Such a situation is due to a number of factors of which the most important ones are:

- the artificial, unfavorable price structure, which is completely unrelated to production cost; the multiple increase in sinking fund owing to the high value of fixed assets—e.g., the deductions for depreciation in 1980 in the production cost of an older iron and steel plant (e.g., the imeni F. Dzierzynski Plant) do not exceed 3 percent whereas at the Katowice Steel Plant they amounted to 14.3 percent;

- the need to repay the investment loans for the construction of the Katowice Plant, as well as to pay the interest on these loans, which, in accordance with the regulations, hardens the production cost with the substantial sum of about 1 billion zlotys annually;

- the low share of the wage fund in production cost and hence also the low and relatively intangible possibility of reducing that cost through a reduction in employment and an increase in productivity;

—the excessively long or even impossible attainment of the planned technical and economic indicators.

As proof of the validity of these conclusions, consider the fact that the overall economic performance of the Katowice Steel Plant, when estimated in U.S. dollars in terms of average world prices, makes that plant profitable even now.

But let us again consider the actual situation of the Katowice Plant. Given that situation, does this plant have a chance to markedly improve its performance? It certainly does, to a large extent, though not by as much as 12 billion zlotys.

There exists a real chance for that plant to reduce its deficit within the next 3 years by about 3 billion zlotys compared with 1980. The remainder of that deficit could only be eliminated through a sensible adjustment of the prices of materials, fuels and basic materials, as well as of the final metallurgical products.

Of course, the profitability of that plant would also markedly improve if the full scope of the second stage of its construction, amounting to about 180 billion zlotys, were to be translated into reality, thus doubling the plant's output from the current 4.5 million tons of steel to 9.0 million. The effectiveness of the second stage is assumed to consist in:

- a reduction of the material-intensiveness of metallurgical production, owing to the application of continuous casting of steel and modern technology of the production of hot- and cold-rolled sheet metal;

- the attractiveness of second-stage production itself, since the resulting cold-rolled black, galvanized, and tin-plated sheet metal products are among the most desirable metallurgical products and as such their prices are correspondingly high;

- the low cost of construction of the second stage, ensuing from the fact that:

- the first stage of construction is incomplete, and even if the Katowice Steel Plant were to retain its current form, it would still have to be complemented with the construction of various departments such as the rail heat-treatment department, which is imperative if the products are to be marketed; a waste-recovery department, which would serve to utilize the remaining 1 million tons of production wastes; the equipping of certain other production departments with electronic process-control and monitoring systems; scrap-dumping facilities; additional pollution-control facilities, and various other facilities. This additional construction would cost about 20-25 billion zlotys--an amount that lies within the scope of the second stage of construction;

- during the construction of the first stage, certain of the operations carried out represented preparatory work for the second stage, thus markedly restricting the scope of further expansion of the plant;

- normally a doubling of output requires a doubling of similar production facilities, but in the second stage a single sinter belt will be sufficient in lieu of the three currently operating belts, and a single converter will suffice in lieu of the two currently existing ones. In other words, were the construction of the Katowice Plant to be begun with its second stage and fully completed, most likely it would cost roughly more than 200 billion zlotys, since the second stage in itself is much more costly compared with the scope of the first stage;

--the doubling of output would markedly reduce the overall plant cost, which would result in a further reduction of unit production cost. Considerable resources have already been committed to second-stage facilities:

1. Coking Plant--about 30 percent;
2. Blast Furnace No 3--about 30 percent
3. Converter No 3--about 65 percent;
4. Continuous Steel-Casting Department--about 12 percent;
5. Rail Heat-Treatment Department--about 45 percent;
6. "2000" Sheet-Rolling Mill--about 25 percent.

On the decision of the government in November 1980, the construction of the second stage of the Katowice Steel Plant was discontinued, except for two tasks: the construction of the Coking Plant, with one-half of the original targets to be completed (two coke-oven batteries instead of four) and the construction of the Rail Heat-Treatment Department. The decision of the authorities was taken in view of the emergency created by the catastrophic state of our economy, but even so it is a pity that that decision forbade as yet the completion of Blast Furnace No 3, whose total construction cost is 4.5 billion zlotys, of which nearly 1.5 billion has already been spent. That 1.5 billion zlotys includes the whole of \$20 million of deliveries of equipment from the dollar zone. The continuation of the construction of that blast furnace would thus not have added to our indebtedness to the dollar zone. It should also be considered, however, that the discontinuation of this project will not waste that \$20 million because Blast Furnace No 3 is identical to the two actually operating furnaces so that the equipment procured will be used in these two other furnaces.

The reasons why Blast Furnace No 3 should be built are: first, given the present structure of the Katowice Steel Plant, with its two blast furnaces and two converters, the production system is extremely interdependent--any stoppage of one of the two blast furnaces directly causes a 50 percent decrease in steel output.

Second, both blast furnaces, now operating in their fifth year, require major overhauls lasting 4 months each. The successive stoppage of these furnaces for altogether 8 months will cause a 1.4-million ton loss of pig iron output, which will entail a 1.6-million-ton loss of steel output, and hence also a loss of 1.12 million tons of final rolled products worth about 7.1 billion zlotys or, if you like, about \$340 million. A rapid construction of Blast Furnace No 3 would have permitted averting these losses.

Third, this country--and that includes both metallurgical combines, the Lenin and Katowice iron and steel plants--is experiencing a marked shortage of pig iron, which is currently being imported.

The above arguments speak in favor of completing the construction of that third blast furnace, and as soon as possible at that, in order to avoid losses exceeding 1 million tons of final rolled products.

In conclusion, I wish to particularly emphasize that the Katowice Plant is an authentically modern plant. The final products it manufactures are of a high world standard and can compete with the products of the world's mightiest steel concerns. This is confirmed by the rapidly growing exports, which in 1980 reached the level of 889,000 tons of rolled products--which accounts for 51 percent of the finished products--of which 643,000 tons were exported to 11 payments (dollar) zone. The revenues from these exports amounted to 777 million foreign-exchange zlotys or \$190 million. Once the Rail Heat-Treatment Department is put into operation, these exports have chances for rising to as much as \$300 million.

/The Katowice Steel Plant is thus of a certainty needed by the national economy, and the decision to build it was most justified. This is confirmed by, among other things, the so-called area buildup indicator, which reflects the amount of output produced per square meter of surface area. And, after all, this plant is not needed for only 5 or 10 years./ [Last paragraph in bold face.]

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